REPORT

OF

THE TARIFF COMMISSION REVIEW COMMITTEE

August 1967

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Composition of the Committee

1. Dr. V. K. R. V. Rao, Union Minister for Transport and Shipping, NEW DELHI.	*Chairman*
2. Shri M. P. Pai, Chairman, Hindustan Shipyard Ltd., VISAKHAPATNAM.	Member
3. Dr. D. K. Rangnekar, Editor, Economic Times, BOMBAY.	Member
4. Dr. D. T. Lakdawala, Department of Economics, University of Bombay, BOMBAY.	Member
5. Shri H. N. Ray, Additional Secretary, Ministry of Finance, NEW DELHI.	Member
6. Dr. K. S. Krishnaswamy, Director, Development Institute, The International Bank for Reconstruction & Development, WASHINGTON D.C., U.S.A.	Member
7. Shri S. Venkatesan, Officer on Special Duty, Ministry of Commerce, NEW DELHI.	Member
8. Dr. P. V. Gunishastri, Secretary, Tariff Commission, BOMBAY.	Secretary

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INTRODUCTORY

The Government of India, by the Ministry of Commerce Resolution No. 26(1)-Tar/63 dated the 19th February 1966, (*Vide* Appendix I) appointed this Committee to review the working of the Tariff Commission, to re-examine the policy of protection to industries in the context of the present restrictions on imports and to suggest such additional functions for the Commission as may be needed in the context of developmental planning in the country.

Membership of the Committee.

The Committee, as was initially constituted, comprised the following persons:

Chairman

1. Dr. V. K. R. V. Rao, Member, Planning Commission, New Delhi.

Members

2. Shri M. P. Pai, Chairman, Tariff Commission, Bombay.
3. Dr. D. K. Rangnekar, Special Representative, Economic Times, New Delhi.
4. Dr. D. T. Lakdawala, Department of Economics, University of Bombay, Bombay.
5. Shri H. N. Ray, Additional Secretary, Ministry of Finance, New Delhi.
6. Dr. K. S. Krishnaswamy, Economic Adviser, Planning Commission, New Delhi.

Member-Secretary

7. Shri P. K. J. Menon, Joint Secretary, Ministry of Commerce, New Delhi.

Subsequently, when Shri Menon, Member-Secretary of the Committee proceeded on leave in April 1966, Shri S. Banerji, Deputy Secretary, Ministry of Commerce, worked for some time as Secretary of the Committee till he was relieved of his charge by Dr. P. V. Gunishastri, Secretary, Tariff Commission, with effect from 13th June, 1966. Further, Shri S. Venkatesan, Officer on Special Duty, Ministry of Commerce, was also added as a Member of the Committee in October, 1966. The Chairman of the Committee, Dr. V. K. R. V. Rao is at present Minister for Transport and Shipping. Dr. D. K. Rangnekar is now Editor, Economic Times, while Dr. K. S. Krishnaswamy, has now gone over to Washington as Director in the Development Institute of the International Bank for Reconstruction and Develop-

ment. Shri M. P. Pai has since taken over as Chairman, Hindustan Shipyard Ltd. Thus, the Tariff Commission Review Committee at present consists of the following persons:—

Chairman

1. Dr. V. K. R. V. Rao, Union Minister for Transport and Shipping, New Delhi.

Members

2. Shri M. P. Pai, Chairman, Hindustan Shipyard Ltd., Visakhapatnam.
3. Dr. D. K. Rangnekar, Editor, Economic Times, Bombay.
4. Dr. D. T. Lakdawala, Department of Economics, University of Bombay, Bombay.
5. Shri H. N. Ray, Additional Secretary, Ministry of Finance, New Delhi.
6. Dr. K. S. Krishnaswamy, Director, Development Institute, The International Bank for Reconstruction and Development, Washington D.C., U.S.A.
7. Shri S. Venkatesan, Officer on Special Duty, Ministry of Commerce, New Delhi.

Secretary

8. Dr. P. V. Gunishastri, Secretary, Tariff Commission, Bombay.

Terms of Reference

The terms of reference of the Committee as enunciated in the Government Resolution setting up the Committee are as follows:—

(a) to review the working of the Tariff Commission since its inception in 1952;

(b) to suggest amendments to the existing Act is order to effect improvements;

(c) to review the policy of protection to industries taking into account the present restrictions on imports; and

(d) to examine and suggest what other functions can be entrusted to the Tariff Commission having regard to the requirements of development planning in the country and to recommend changes in the constitution and functions of the Commission.

The Committee in its first meeting noted that the terms of reference would involve, among other things, a historical account of the various protection and price inquiries entrusted to the Commission as also the manner in which the inquiries were conducted by the Commission. In addition, the Committee may have to probe into such aspects as the extent of scrutiny

or supervision exercised by the Commission, the efficiency of its recommendations and the action taken to implement its recommendations by the Government as well as other concerned interests.

Term of the Committee.

In terms of the initial Government Resolution quoted above, the Committee was required to submit its report within a period of six months. This period was, however found to be inadequate and accordingly the Committee's term was extended upto 31st August 1967.

Interim Report.

The Committee had, in the meantime, submitted to the Government an Interim Report on 4th August, 1966. A copy of the Interim Report is given at Appendix II. The Interim Report became necessary because of the change in the degree and content of effective protection resulting from the change in the par value of the rupee effected on 6th June, 1966. The main recommendations of the Interim Report were that in the light of the effects of devaluation on import prices and domestic costs and profits, the Tariff Commission should be asked by Government to undertake immediately an assessment of the extent of protection available at present to industries which continue to be 'protected industries' and industries which in the recent past have been deprotected. As regards nascent industries, the Committee suggested that Government may refer their case to the Tariff Commission after a preliminary scrutiny is made by a suitable executive agency regarding the case for protection. The action taken by Government on the recommendations made in the Interim Report is discussed later in paragraphs 92 and 93.

Working Procedures.

The terms of reference necessitated the collection of factual information about the inquiries conducted by the Commission. For carrying out this task effectively and expeditiously, close association of the staff of the Commission was considered necessary. Accordingly, the secretariat of the Committee was located at Bombay so that the Committee could benefit from the experience of the staff of the Commission.

It was also considered necessary to consult various organizations and parties which were closely associated with the working of the Commission and obtain their opinion. This was sought to be achieved primarily through issue of a Questionnaire (Appendix III) to the concerned parties and organizations who were invited to give their considered views on specific issues arising out of the terms of reference of the Committee. Besides receiving written evidence, personal discussions were also held with the representatives of leading organizations as well as with selected individuals. Names of organizations and individuals who replied to the Committee's questionnaire and/or who tendered oral evidence before the

Committee are given in Appendix IV. A classified distribution of such parties is indicated below:

Group	No. of parties to whom question-naire was issued	No. of parties who replied to the question-naire	No. of parties who tendered oral evidence
1. Chambers of Commerce	88	18	7
2. Associations of industry and trade	20	15	10
3. Industrialists	162	63	16
4. Government Departments	79	51	1
5. Public Sector Undertakings	42	29	3
6. Economists	30	17	4
7. Ex-Chairmen and Members of Tariff Board/ Commission	13	11	6
8. Others	26	4	1
TOTAL . .	460	208	48

During the later part of its working, the Committee appointed from amongst its own Members, a sub-committee consisting of Dr. D. T. Lakdawala as convenor and Dr. D. K. Rangnekar and Dr. K. S. Krishnaswamy as Members to examine in detail certain technical and cost aspects of the working of the Commission.

Scheme of the Report.

Chapter I of the Report gives a brief account of the Tariff Commission as an instrument of economic growth. Chapter II gives a review of the working of the Commission while Chapter III reviews the policy of protection taking into account the present restrictions on imports. These two chapters broadly correspond to clauses (a) and (c) of the terms of reference of the Committee. Clause (d) of the terms of reference which includes suggestions regarding other functions for the Tariff Commission is dealt with in Chapter IV, which is then followed by the Chapter outlining the proposed amendments to the existing Tariff Commission Act as required by clause (b) of the terms of reference.

CHAPTER I

THE TARIFF COMMISSION AS AN INSTRUMENT OF ECONOMIC GROWTH

1. The long years of British rule in India left the country ruralised and with practically but little of modern industrial development. The old handicrafts and small scale industries that had flourished for many centuries felt the impact of the competition of modern industry from abroad aided by the policy of free trade that the British Government followed in India for well nigh four decades before the appointment of the first Fiscal Commission. It was only after the Montagu-Chelmsford Report and the grant of a measure of self-Government to India in 1921 that it became possible for the country to have its own fiscal policy fashioned in Delhi and not dictated from Whitehall. One of the first acts of the Government of India as reconstituted after 1921 was the appointment of a Commission under the Chairmanship of Sir Ibrahim-Rahimtulla to consider and recommend a fiscal policy for India for the promotion of industrialisation. The Commission submitted a majority report and a minority report. The majority report recommended what was termed a policy of discriminating protection. This was accepted by Government and continued to be its fiscal policy till the appointment and report of the Second Fiscal Commission in 1949-50.

2. The policy of discriminating protection restricted, by definition, the field over which protective duties were to be imposed in the interests of the growth of specific Indian industries. The conditions laid for an industry to have its claims for protection considered were as under :

> "(1) The industry must be one possessing natural advantages such as an abundant supply of raw material, cheap power, a sufficient supply of labour or a large home market......
>
> (2) The industry must be one which without the help of protection either is not likely to develop at all or is not likely to develop so rapidly as is desirable in the interests of the country.......
>
> (3) The industry must be one which will eventually be able to face world competition without protection. In forming an estimate of the probabilities of this condition being fulfilled, the natural advantages referred to in condition (1) will of course be considered carefully......"

3. The logic behind this policy rested essentially on the infant industry argument. The infant industry had already to be in existence before it could be considered for nurture and growth. Moreover, it had to be domestically based in respect of both its raw materials and markets. This

ruled out industries that catered for foreign markets or relied on foreign raw materials or could not come into existence without an initial guarantee of protection. It was this restricted fiscal policy called discriminating protection that was, among other reasons, responsible for the slow and halting character of Indian industrialisation in the pre-Second World War period. It was the exigencies of the Second World War that made for a measure of rethinking on this policy. A number of new industries came into existence and there was diversification and expansion of old industries as well. Tariff duties were no longer the sole instrument of protection, but war-time restriction on imports and allied demand for Indian products both played a greater role in stimulating the growth of Indian industry during the war period. There was of course no question of any elaborate examination or inquiry to precede or follow this increase in industrialisation.

4. The conclusion of the war released the restrictions on imports and allied war time demand also ceased to exist. There was a great danger of industries set up during the war collapsing and it was felt that attempts should be made to let at least the better ones amongst them survive. The need for tariff protection was thus revived, and the role of the Tariff Board was renewed in the post-war period.

5. With the coming of independence and the formation of a national Government, the position underwent a radical change. The new Indian Government was pledged to a war against poverty and a speedy improvement in the economic conditions of the people. It was universally agreed that industrialisation had to play a major role in this process and it was rightly felt that this would not happen as long as the fiscal policy continued to be bound by the shackles of discriminating protection. A bold and radical revision of fiscal policy was needed if Indian industrialisation was to proceed at the pace desired by the popular Government of the country. It was in order to consider this question and outline a new policy that a Second Fiscal Commission was appointed in 1949 under the Chairmanship of Shri V. T. Krishnamachari.

6. The main recommendations by this Commission in respect of fiscal policy were as under:—

> "The protection of industries should be related to an overall planning of economic development, otherwise there may be unequal distribution of burden and un-coordinated growth of industries. However, until such a plan has been approved, protection to industries should continue to be granted on the principles given below.

A. Industries coming under the planned sector immediately may be grouped under the following classes:—

1. Defence and other strategic industries,
2. Basic and key industries, and
3. Other industries.

Industries falling under group (1) should be protected whatever the cost may be on national considerations. Regarding basic and key industries coming under the plan, the tariff authority will decide the form of protection and the quantum thereof and will (i) lay down terms and conditions for the grant of protection or assistance and (ii) review from time to time the extent to which these conditions have been or are being complied with by the industries.

As regards the third category,——, the criteria to be applied for granting protection should be as follows:—

'Having regard to the economic advantages enjoyed by the industry or available to it and its actual or probable cost of production, it is likely within a reasonable time to develop sufficiently to be able to carry on successfully without protection or assistance

and/or

it is an industry to which it is desirable in the national interest to grant protection or assistance and having regard to the direct and indirect advantages, the probable cost of such protection or assistance to the community is not excessive.'

B. As regards industries which are not included in approved plans, the tariff authority should examine the claim for protection on the criteria set out above. . . .

C. Where no approved plan exists the position should be as follows:—

(i) Defence and other strategic industries. They should be given protection whatever the cost may be on national considerations.

(ii) As regards other industries, the criteria to be applied will be the same as those set out in section "A" above."

7. The permanent Tariff Commission established in 1952 works more or less on the same basis as the *ad hoc* Tariff Boards of the period between the two world wars—each appointed to deal with one specific inquiry—and the Interim Tariff Board of 1945-51 which was a continuing body handling all inquiries as the need for them arose from time to time. However, the Tariff Commission Act made some important changes in the status, power and the functioning of the body.

8. The present Tariff Commission is an independent statutory body with functions and powers vested in it by the Act, and with the advantages arising out of permanency, and statutory existence. Besides, unlike the old Tariff Boards, the Tariff Commission enjoys wider powers. Firstly, it can recommend protection for a period exceeding three years, if in its opinion such long term protection is necessary to provide the necessary impetus to the protected industry. Secondly, it has powers to recommend protection to new or embryonic industries. More important, the Commission has two important new functions. Firstly, it keeps a continuous watch over the progress of protected industries

in order to see how far protected industries discharge their obligations to the community. For this purpose the Commission obtains statistical data relating to capacity, production, sales, stocks, selling prices, etc. as also views from consumers regarding the quality, availability and prices of protected items. In addition, it has statutory powers to review the case for protection at the expiry of the period over which protection is granted. These powers help to ensure that the objectives of protection are achieved and that the burden which is cast on the consumer by protection is not abused by the protected manufacturers. It may be added that these two new functions were also exercised by the Interim Tariff Board which was set up in the post-War period and made its recommendations on tariff protection till it was replaced by the new Tariff Commission.

9. The essence of the role of the Tariff Commission lies in its selectivity, in its picking of the right industries, in its recommending the correct measures which will enable the industries to grow with the minimum burden on the consumers and in its ensuring that the industries grow up strong and vigorous and become mature enough to face the world on their own. Discrimination which the Tariff Commission has all the while to do is a delicate task, and unlike many executive bodies, the Tariff Commission has to perform this task in almost the public gaze. Its procedures and methods of work have all to be devised with this aim in view and its staff and personnel have to be picked up with this angle. The price fixation function, which has proved very important in the last few years, is perhaps even a more difficult job. It entails sometimes determining the costs and profit margins of even individual items.

10. The advent of planning, however, has made a considerable difference to the role of the Tariff Commission in the promotion of industrialisation. The Industrial Policy Resolution, industrial licensing, the balance of payments crisis with the import and exchange restrictions that followed, the progressive rise in customs revenue duties, and devaluation have all introduced new elements of protection of a non-tariff factor and reduced the effectiveness of the tariff as an instrument for promoting industrial development. Simultaneously, however, the advent of planning with its emphasis on social justice, and price control over essential industrial products has given a new importance to the function of price inquiries, which is increasingly beginning to occupy the time of the Tariff Commission. In many ways, these inquiries raise problems akin to those of protection inquiries, as they also touch the question of correlating costs and reasonable returns to industry, and require industrial expertise and impartiality. At the same time, it must be mentioned that the price inquiries do not have any follow-up functions on the part of the Commission in contrast to the position in regard to protection inquiries.

11. Before we proceed to make our recommendations regarding the future work of the Tariff Commission and the changes, if any, needed in its functioning and procedures, it would be useful to undertake a brief review of the actual work of the Tariff Commission since its inception and the way in which it has been discharging its statutory functions. To this task we turn in the next Chapter.

CHAPTER II

REVIEW OF THE WORKING OF THE TARIFF COMMISSION

12. The Tariff Commission was set up by the Government of India in January 1952 in pursuance of the recommendations of the Second Fiscal Commission (1949-50). During the last 15 years the Commission has submitted more than 200 reports to Government and evolved its own methodology and approach for its various inquiries. According to clause (a) of our terms of reference we have "to review the working of the Tariff Commission since its inception in 1952". For purposes of convenience, we have divided our review of the working of the Tariff Commission under the following broad heads:

(1) Organisation, functions and powers of the Commission.

(2) Historical account of the activities of the Commission.

(3) Commission's general procedure for conducting an inquiry and determining cost of production.

(4) Protection inquiries—Commission's approach, nature of its recommendations and Government decisions thereon.

(5) Commission's supervision over the progress of protected industries and its effects.

(6) Price inquiries—Commission's approach, nature of its recommendations, Government decisions thereon, and other allied issues.

Organisation, functions and powers of the Tariff Commission

13. The organisation, functions and powers of the Commission are laid down in the Tariff Commission Act, 1951, a copy of which is given at Appendix V. Section 3 of the Act provides that the Commission shall consist of not less than three and not more than five whole time Members appointed by the Government, with one of them nominated as Chairman. The Commission is assisted by a Secretary under whom the office is organised into four Divisions (a) Investigation Division, (b) Review and Research Division, (c) Cost Accounts Division and (d) Administration Division. The Investigation Division is primarily concerned with the work relating to holding of inquiries, whether for grant of protection or fixation of prices. The Review and Research Division follows up the protection inquiries, reviews the progress of protected industries, and also undertakes research studies which may be useful to the Commission in its normal functioning. The Cost Accounts Division is charged with the responsibility of looking into the various aspects of cost of production of specific units selected by the Commission. Besides, there are two Technical Directors,

one to assist the Commission on technical problems relating to chemical industries, and the other, on those relating to engineering and metallurgical industries. In the case of certain inquiries of a specialised nature such as automobiles, locomotives, steel prices etc., technical officers were appointed as Advisers on an *ad hoc* basis to assist the Commission in respect of the relevant inquiries. In connection with the inquiry into the fixation of prices of specified drugs and pharmaceuticals, which is of a highly technical and complex nature, Government have, in consultation with the Commission, appointed three technical officers as Assessors under Section 18 of the Act. A chart showing the organisation of the Commission is given in Appendix VI.

Functions and Duties of the Commission

14. The functions and duties of the Commission are listed in Sections 11, 12, 13 and 15 of the Act. Broadly, the functions fall under the following heads:

(a) *On reference to it by Government.*

(i) Inquiries into initial grant of protection.

(ii) Inquiries into matters relating to prices of specific commodities, whether protected or not.

(b) *On reference to it by Government as well as under its* suo motu *powers.*

(i) Inquiries into question of continuance of protection to an industry.

(ii) Inquiries into increase or decrease in the customs duties or other duties for the purpose of protecting an industry.

(iii) Inquiries into action to be taken to deal with dumping.

(iv) Inquiries into the action needed, when an industry is taking undue advantage of protection.

(v) Inquiries into the effect of protection on the general level of prices, cost of living of any specified section of the community and the different sectors of the country's economy.

(vi) Inquiries into the effect of tariff concessions under trade or commercial agreements on the development of any specified industry, and

(vii) Inquiries into any anomalies that may result from the working of protective or revenue duties.

In addition, it is the duty of the Commission to investigate into and report periodically on the manner both in which protection in relation to any industry is working and any special conditions that may have been imposed on a protected industry.

Powers of the Commission

15. Under Section 20 of the Tariff Commission Act, the Commission has all the powers of a Civil Court for conducting an inquiry under the Act. These powers mainly relate to summoning and enforcing the attendance of any person and examining him on oath, requiring the discovery and production of any document, receiving evidence on affidavits and issuing commissions for the examination of witnesses. Under Section 25, the Commission has powers to make regulations regarding the procedure and conduct of its business, terms and conditions of service of officers and other employees of the Commission and any other matter for the purpose of enabling it to discharge its functions.

Procedure for reference of inquiries to the Commission

16. An industry seeking protection or assistance has first to submit its application to the Ministry of Commerce. The application is examined by that Ministry in consultation with the Ministry concerned with the industry and its technical advisers. If it decides to refer the case to the Tariff Commission for an inquiry, a Resolution in pursuance of Section 11 of the Tariff Commission Act, and a press note are issued simultaneously and concerned authorities are informed. In the case of price inquiries, the Ministry of Commerce may remit the case to the Commission either through a Resolution or a letter under Section 12(d) of the Act. As regards continuance of protection, no specific reference from Government is necessary since the Commission has *suo motu* powers to undertake such inquiries.

Historical account of the activities of the Commission

17. On its establishment in January 1952 the Commission took over 48 pending references and inquiries (3 of initial grant of protection, 42 of continuance of protection and 3 of prices) from the post-war Tariff Board under Section 26 of the Tariff Commission Act. Since then upto the end of March 1967 the Commission has conducted 235 inquiries as indicated below:

A. *Tariff Inquiries*	
1. Initial tariff inquiries	16
2. Repeat tariff inquiries	151
3. Review inquiries relating to protected industries	7
B. *Price and other Special Inquiries*	
1. Price inquiries	56
2. Special inquiries	5
	235

A year-wise account of the various types of inquiries undertaken by the Commission is given below:

Year	*Initial tariff inquiries	Repeat tariff inquiries	Review inquiries	Price inquiries	Special inquiries	Total
	Under Section 11(a)	Under Section 11(c) read with Section 13		Under Section 12(d)		
1	2	3	4	5	6	7
1952-53 . .	4	4	..	7	2	17
1953-54 . .	2	14	..	4	1	21
1954-55 . .	7	21	..	1	..	29
1955-56 . .	2	10	2	4	..	18
1956-57 . .	..	10	2	3	..	15
1957-58 . .	..	16	1	1	..	18
1958-59 . .	1	10	..	7	..	18
1959-60 . .	..	10	..	4	1	15
1960-61 . .	..	14	..	2	..	16
1961-62 . .	..	5	1	5	1	12
1962-63 . .	..	5	1	6	..	12
1963-64 . .	..	12	..	2	..	14
1964-65 . .	..	6	..	..	..	6
1965-66 . .	..	7	..	2	..	9
1966-67 . .	..	7	..	8	..	15
TOTAL .	16	151	7	56	5	235

Details of the inquiries held and the reports submitted to Government are shown in Appendix VII. It is pertinent to observe that there were only 8 references to the Commission for initial grant of protection and they were all remitted before 1958. Thus there has been no inquiry into the initial grant of protection to any industry during the last nine years.

Annual Reports and Quarterly Reports

18. The Commission submits quarterly and annual reports to Government under Section 17. The annual report normally contains a general account of the economic situation in the country, the findings and recommendations of the Commission relating to all its inquiries undertaken during

*This includes 3 cases taken over from the post-war Tariff Board, 8 fresh cases referred to the Commission by the Government and 5 automobile ancillary industries (spark plug, leaf spring, hand tyre inflator, piston assembly and diesel fuel injection equipment) which were inquired into by the Commission as a follow-up of its own recommendations in the Report on the main automobile industry (1953).

the year and a general review of the progress of protected industries. The quarterly report gives a periodic account of the activities of the Commission. Besides, the Commission submits a quarterly review of protected industries under Section 15 of the Act.

Research Studies and other Miscellaneous activities

19. The Commission's research wing has undertaken a series of specific studies arising out of the normal functions of the Commission. A complete list of such studies is contained in Appendix VIII. These studies were meant primarily for the internal work of the Commission; a few, however, were for the use of the Bonus Commission, and the Monopolies Commission.

20. The Commission also examines references of a miscellaneous nature arising out of protection or price inquiries. These references generally relate to tariff values of protected commodities, reduction in import duty on raw materials used in protected industries etc. The Commission does not submit reports in respect of these references but communicates its views to Government by letters.

Present Position

Protection inquiries

21. In early 1952, when the Commission was established, there were 42 protected industries. The tempo of protection continued upto 1955 when there were 43 industries in the protected list. With the subsequent changes in the economic situation in the country, the number of protected industries has been dropping steadily, as indicated in the following table:—

Year	Number of protected industries (as on 1st January)
1952	42*
1953	44
1954	42
1955	43
1956	39
1957	39
1958	37
1959	34
1960	28
1961	24
1962	24
1963	22
1964	19
1965	15
1966	8
1967	4

*As on 21st January, 1952.

At present there are only four protected industries which are specified below along with the dates of expiry of their protection:

Name of the industry	Date of expiry of protection
1. Automobiles	31-12-1967
2. Dyestuffs	31-12-1967
3. Aluminium	31-12-1968
4. Sericulture	31-12-1969

In early 1966 Government imposed a protective duty of 20 per cent *ad valorem* on petroleum crude and withdrew it subsequently on 6th June, 1966 simultaneously with the announcement of devaluation of the Indian rupee. This was the first time a protective duty was imposed without a formal inquiry by the Tariff Commission. Whatever may have been the reasons behind this decision, we would like to stress the need for sticking to the normal procedure before any decisions are taken by Government to impose protective duties. We have accordingly suggested under Chapter V certain changes in the Tariff Commission Act.

Price inquiries

22. References of price inquiries to the Commission depend upon the economic situation in the country and their number has naturally been varying from year to year. At present the Commission is inquiring into the prices of the following five industries:

Name of the industry	Date of reference
1. Automobiles	31-5-1966
2. Automobile ancillaries	31-5-1966
3. Drugs and pharmaceuticals	25-8-1966
4. Caustic soda	9-11-1966
5. Agricultural tractors	6-2-1967

Commission's general procedure for conducting an inquiry and determining cost of production.

Protection inquiries.

23. For inquiring into an industry's claim for grant or continuance of protection, the Commission generally adopts the following procedure with such suitable modifications, as and when considered necessary in the light of individual circumstances:

(i) Separate questionnaires for producers, consumers and importers are issued, with necessary endorsements to State Governments, recognised trade associations, associations of manufacturers,

etc., requesting them to furnish to the Commission their views on the subject. A press communique is simultaneously issued for the information of all concerned.

(ii) Special communications seeking information/views on issues pertaining to their respective Departments are addressed to the Director General of Technical Development, the Development Commissioner, Small Scale Industries, the Iron and Steel Controller, the Geological Survey of India, the Coal Controller, as also to the State Directors of Industries. Wherever necessary, Trade Commissioners of the Government of India abroad are requested to furnish information on c.i.f. and f.o.b. quotations and other specific points relevant to an inquiry.

(iii) Representative units in the industry are selected for detailed cost investigation and two reports, one on actual cost of production and the other on estimates of future costs, are prepared after an on-the-spot investigations of costs. Of late, the Commission has also been consulting the industry and the concerned Government Departments in drawing up the representative sample for cost investigation.

(iv) The information received in reply to the questionnaires or otherwise in connection with an inquiry is scrutinised and compiled by the investigating officers and staff of the Commission. Further, statistics of imports, exports, etc. are compiled from official publications. After scrutiny of the data received, a 'summary of the case' is prepared covering all relevant aspects of the inquiry.

(v) The Commission and its technical officers visit selected units of the industry and during these inspections, informal discussions are held with the management and technical staff of the units.

(vi) A public inquiry is held on a date notified in advance through a press communique. Invitations are also issued to interested parties like producers, consumers, importers, raw material suppliers, and concerned Government departments to depute their representatives to the public inquiry and tender oral evidence. The public inquiries are held either by the full Commission or a panel of not less than three Members, and are presided over by the Chairman or, in his absence, by one of the Members of the panel. They begin with an introductory speech by the Chairman giving the genesis of the case, developments since the previous inquiry, if any, and other relevant matters. This is followed by discussions on various issues. The proceedings of the public inquiries are recorded *verbatim* by the official Reporters of the Commission. They are open for inspection by the representatives who attend the inquiry.

(vii) Generally, after the public inquiry, discussions are held in camera with the representative of the costed units on various items of costs and the basis for future estimates.

(viii) The Commission then holds internal discussions on various issues arising out of the written evidence, oral evidence tendered at the public inquiry, cost discussions and other separate discussions, if any. The Member-in-charge of the inquiry (who may also be the Chairman) drafts a Report on the lines of the decisions taken. In making the decisions, the Commission is guided by the principles laid down in Section 14 of the Tariff Commission Act. Finally, the draft is considered by the Commission or the panel, as the case may be, and thereafter submitted to Government along with a set of cost reports.

Price Inquiries

24. For price and other special inquiries the procedure followed by the Commission is, by and large, similar to that followed for the tariff inquiry. Special features of price inquiries are discussed under paragraphs 65 to 67.

Government's action on the Commission's Reports

25. A copy of every final Report made to the Central Government by the Commission, together with a report of the action taken thereon by the Government is, under Section 16(2) of the Tariff Commission Act, required to be laid on the Table of the House within three months of the submission of the Report, if the Parliament is then in session, otherwise within seven days of its re-assembly. When the Reports cannot be so laid, a statement explaining the reasons for the same is to be laid on the Table of the House. The Reports of the Commission are considered by the Government of India, and decisions taken are generally announced in the form of a Resolution. Thereafter the Report is released to the public.

General procedure for determining cost of production

26. Both in protection and price inquiries, the Commission has to determine cost of production of the Commodity under examination. Although the general procedure for determining cost is common in both types of inquiries, certain special issues and problems arise in a price inquiry. We have, therefore, given a broad outline of the Commission's procedure for determining cost of production of a commodity in the following paragraph, while the special issues and problems mainly connected with a price inquiry are discussed later, in paragraphs 49 to 67.

Selection of units for cost investigation

27. The first important step in determining the cost of production of a commodity is the selection of units for an on-the-spot cost investigation. The selection is governed by the nature of the inquiry. In a protection inquiry, the Commission has to determine the representative cost of production of a commodity for the entire industry for comparison with the c.i.f. price of similar imported item. The Commission therefore generally selects a sample of representative units in the industry. The selection is based on several factors such as the number of units in different regions, the number of units in different ranges of capacities etc. If the products

of different manufacturers are essentially different from one another in specification, as for example in the case of automobiles the cost data of all the units are examined. The Commission may also decide to cost all the units of any other industry under inquiry, if the number is small. In a price inquiry if individual retention prices are to be determined or the products of different manufacturers are essentially different from one another, then all the units have to be necessarily costed. For other types of price inquiries, where there is necessity of selecting a representative sample, a larger sample is selected than in a protection inquiry to provide a wider coverage. In paragraphs 64 and 65 we have discussed the question of selection of units in a price inquiry in greater detail and also examined the various comments received on this subject.

Preparation of *ex*-works cost.

28. The Cost Accounts Officers of the Commission visit the units selected for cost investigation and prepare their cost reports, indicating *ex*-works costs of the commodity under examination. The important elements of *ex*-works cost are raw materials, labour, power and fuel, repairs and maintenance, consumable stores, establishment expenses, selling expenses (exluding selling commission), depreciation and other overheads. Further, in determining *ex*-works costs, note is also taken of certain special items such as losses incurred due to wastages involved in the production process. adjustment on account of rejections, insurance in transit, royalty etc.

Points of guidance for the cost investigation.

29. The essential feature of cost investigation is that no expenditure should be included which is not essential, either directly or indirectly, for the production of the commodity under consideration. Expenses incurred by the producer under the head 'Miscellaneous Expenses' are, therefore, thoroughly examined to discover any element not essential for conduct of the business. As regards, 'inventory' it forms part of the working capital and does not directly enter into either the cost-of-production or the cost-of-sales.

Estimates of future costs.

30. Reports of the Cost Accounts Officers are studied by the Commission and the cost data are discussed in camera with the representatives of the costed units. This opportunity is also availed of by the Commission to obtain further information or clarifications necessary from the representatives of the units or any items of cost or other relevant matters. In the light of these discussions, estimates of future costs are worked out based on certain anticipated levels of production and likely consumption rates of raw materials, fuel, etc. per unit of production. Allowances are made for possible variations in the prices of stores, materials, etc. on the basis of expected trends in future as also for wages, salaries and increments.

Determination of fair price.

31. For determining the future fair *ex*-works prices, an element of 'fair return' to the industry is added to the *ex*-factory costs. The Commission also makes an *ad hoc* provision for contingency in cases where

certain elements of costs are likely to increase but the exact quantum of which cannot be ascertained. Besides, in some price cases, the Commission has also made provision of an escalation clause for variations in certain elements of costs, for instance, statutory increase in the price of coal which are beyond the control of the management. The Commission has also provided for a rehabilitation allowance wherever justified after examining the merits of each claim. Where wholesale or retail selling prices are to be determined, the distribution expenses are also added. Further, where *f.o.r.* destination price has to be ascertained, the element of freight is added to the fair *ex*-works price. Our comments on the Commission's approach to these matters are given in subsequent paragraphs.

Freight disadvantage.

32. For assessing the measure of protection required for an industry, a comparison is made between the fair *ex*-works price of the indigenous commodity and the *c.i.f.* price of similar imported product at principal port towns. Where, in the opinion of the Commission, the indigenous industry suffers from a locational disadvantage, it allows an element for covering the freight disadvantage in the price of the domestic product before comparison with the *c.i.f.* price.

Basic approach of the Commission regarding grant of protection.

33. The Commission is mainly guided by the principles laid down in Section 14 of the Tariff Commission Act while recommending protection. Its general approach has been to determine protection at the rate of duty required to equate the estimated fair *ex*-works price of the indigenous product with the landed cost (*ex*-duty) of its imported counterpart. This approach is not rigidly applied, however; and, while recommending a scheme of protection, the Commission also takes into account several other factors, such as the trend of prices of the commodity abroad, the degree of foreign competition in the context of Government import control policy, nature and stage of development of the industry, quality of its products, etc. On these considerations, the Commission may recommend a lower or a higher rate of duty than that indicated by the price comparison referred to above. There are many instances where, though the price comparison indicated a higher rate of protective duty, the Commission actually recommended a lower one. In the case of calcium carbide industry (1964), for example, though the price disadvantage was 63 per cent the Commission recommended a protective duty of only 50 per cent as it felt that recommendation of protection at the higher rate would generate a feeling of complacency among indigenous producers in regard to action for cost reduction. In the case of ball bearings (1965), the weighted average of disadvantages suffered by various types of ball bearings varied between 108 per cent and 215 per cent. But the Commission was not in favour of raising the duty by that range as, in its opinion, that might lead to administrative difficulties and inequitable distribution of the burden of protection among consumers; it therefore recommended a uniform duty of 125 per cent. In the case of automatic looms (1963), the

comparison indicated a gap of 45 per cent to 50 per cent as against the existing protective duty of 10 per cent. An upward revision of the duty was not recommended in view of the shortfall in the availability of automatic looms in the country, compared to the estimated demand and the consequent necessity of imports for some more years.

34. There were also cases where the Commission recommended higher rates of duty than those warranted by the comparison between the prices of the imported products and the indigenous products. For instance, in the case of caustic soda (1964), though by actual comparison the gap was only 48 per cent, protection was recommended at the then existing rate of 80 per cent in view of the likelihood of imports from cheaper sources.

35. Wherever necessary, the Commission has recommended progressive reduction of the rate of protective duty. For example, in the case of grinding wheels, the rate was reduced from 47½ per cent *ad valorem* in 1951 to 25 per cent *ad valorem* in 1954 and eventually the industry was deprotected in 1959.

36. The Commission has conducted inquiries into 16 industries for initial grant of protection. Of these, the claims of four industries (woollen hosiery, flax goods, para-aminosalicylic acid and isoniazid) were rejected outright after an inquiry. In the case of the woollen hosiery industry, the reasons for not granting protection were that the then existing revenue duty of 31½ per cent *ad valorem* afforded ample protection to the domestic industry and that imports constituted a negligible proportion of domestic demand. In the case of flax goods industry, the reasons were that the disadvantage was 5 per cent and that assistance in the form of abolition of customs duty on flax fibre should provide sufficient stimulus to the industry to establish itself. In the case of para-aminosalicylic acid and isoniazid, the Commission was of the view that it was undesirable to have a high tariff to give protection to a commodity which was a life-saving drug.

37. The Commission specifies the duration of protection after carefully considering the facts of each case. Generally, the period recommended at a time varies from two to four years. In exceptional cases, however, a longer period is recommended. For example, in the case of automobile and dyestuff industries, protection was recommended for ten years, as the Commission considered a long initial period necessary for their development. In certain cases a shorter period of two years or even one year only was recommended with a view to have an earlier review of the progress of the industries in question.

Nature of recommendations made by the Commission in protection cases.

38. In a protection report the Commission generally makes two types of recommendations. First, it determines whether the grant or continuance of protection is necessary and if so, what should be the duration of protection and the protective rate of import tariff; secondly, the Commission makes certain ancillary recommendations to ensure a steady progress of

the protected industries. These ancillary recommendations can broadly be grouped under the following six heads:

(i) Recommendations regarding installed capacity, production and future expansion.

(ii) Recommendations in respect of quality, procurement and transport of raw materials.

(iii) Recommendations aimed at quality control and standardisation of products.

(iv) Recommendations relating to cost of production, selling prices and the system of distribution.

(v) Recommendations relating to import control policy and allied matters.

(vi) Other recommendations.

39. In order to give a broad idea about the various types of recommendations made by the Commission from time to time, an illustrative study of 12 protected industries, has been attempted. Names of the selected industries, reasons for their selections together with certain relevant details about the number of inquiries, the years of inquiries and the total number of recommendations made by the Commission are shown in Appendix IX. It will be observed from the abstract given below that out of 342 recommendations in respect of the 12 selected industries, 50 related to grant of protection, duration of protection and protective rates of duty, and the remaining 292 were of an ancillary nature.

Subject	No. of recommendations
A. Main recommendations regrding grant of protection, duration of protection and protective rates of duty	50
B. Ancillary recommendations regarding:	
1. Capacity, production and expanioh	44
2. Availability and quality of raw materials	114
3. Quality and standard of finished products	48
4. Cost of production, price and selling system	29
5. Import control policy and allied matters	24
6. Others	33
Sub Total B	292
Total (A plus B)	342

The large number of ancillary recommendations reflect the emphasis on developmental aspects of protection which had been specially commended by the Second Fiscal Commission.

Government decisions to the Commission's recommendations relating to protection.

40. This study of the Commission's 342 recommendations reveals that out of the 50 recommendations relating to protection, 40 were fully accepted by Government, another 4 were partially accepted and the remaining 6 were rejected. The 4 partially accepted recommendations related to those cases where the rates of protective duties recommended by the Commission were altered by Government, although other recommendations relating to protection and its duration were accepted. Thus in the case of bicycle (1954), calcium carbide (1956) and aluminium (1960), the quantum of protection recommended by the Commission was not accepted and protection was continued at higher rates. In the case of dyestuff industry, on the other hand, the higher rates of duties on fast colour bases, benzanthrone and BON acid recommended by the Commission were lowered by Government, because of their view that standard rates of protective duty in these cases, should not exceed a level of 75 per cent *ad valorem*. The six recommendations favouring continuance of protection in the case of ball bearings, caustic soda, calcium carbide, electric motors, sheets glass and soda ash were turned down by the Government during 1964 and 1965 on the ground that in view of the existing import restrictions and high rates of revenue duties, the question of any unhealthy competition from imports did not arise. Witnesses who appeared before us were practically unanimously of the view that such rejection of the Commission's main recommendations in respect of so many industries tends to lower the Commission's prestige and hampers its effectiveness. It must be pointed out that these observations relate particularly to the decisions taken during the years 1964 and 1965. Our observations on this subject are given separately under paragraph 71.

41. As regards the ancillary recommendations, it has been the policy of Government to take a general note of such recommendations in so far as action thereon lies within their sphere and to indicate that appropriate action would be taken to implement them as far as possible. In so far as other bodies are concerned, such as the State Governments, manufacturers etc., their attention is drawn by Government to the recommendations pertaining to their sphere. However, it has been found that some 36 recommendations out of the total of 292 had not been implemented, due mainly to administrative difficulties. The Railway Administration, for instance, reported that 6 recommendations regarding reduction in freight rates or reclassification in tariff schedule of raw materials for industries were found to be unacceptable. In the case of caustic soda of soda ash, the Commission's recommendation for a reduction in the cess on salt was not implemented on the ground that the incidence of the cess on consumers was negligible.

Commission's supervision over the development of protected industries

42. Subsequent to the issue of the Government Resolution on its reports, the Commission communicates with various concerned authorities and interests to ensure that its accepted recommendations on protected

industries are duly implemented by all concerned. Further, the Commission keeps a continuous watch over the progress of protected industries immediately after protection is granted to them by calling for monthly statistical returns directly from each of the units in the organised sector of the protected industries. These returns contain data on installed capacity, production, employment, sales, pending orders, prices, reasons for under-utilisation of capacity, etc., and are carefully examined with a view to assessing the progress of each individual unit. The data are also processed and analysed with a view to discerning general trends in production, employment, prices, etc. Such analysis of the problems and overall progress of protected industries is undertaken on a quarterly and again on an annual basis. The general findings form part of the Quarterly and Annual Reports which the Commission submits to Government under Section 17 of the Tariff Commission Act. A more detailed scrutiny of the industry is made by the Commission at the next *suo motu* inquiry held before the expiry of the period of protection.

43. The wide range of recommendations made by the Commission, and its effect on the growth of protected industries are reviewed in detail in Appendix X.

General assessment of the Tariff Commission's role in industrial development.

44. The establishment of the Tariff Commission as a permanent body almost coincided with the inception of planning in India. The Commission's recommendations in respect of the protected industries were thus in addition to whatever general developmental measures that were being undertaken as part of the Five Year Plans. Besides, owing to foreign exchange difficulties, quantitative restrictions were imposed on imports of foreign goods resulting in the provision of a sheltered market for indigenous goods. Further, under the Industries (Development and Regulation) Act, 1951 Government introduced an elaborate scheme of industrial licensing to regulate industrial growth. It is therefore not possible for us to isolate the impact of protection from these other factors on the development of protected industries. In spite of this basic limitation, we are of the view that protection as an instrument of rapid industrialisation has by and large played a positive role over the last 45 years. This was in part due to the fact that the Commission's recommendations were not only confined to the rates of protective duties but also covered a much larger ground of the development aspects of the industry concerned. The above view is amply borne out by two striking facts. First, protected industries registered substantial growth, even before the commencement of planning. For example, the hurricane lantern industry which was granted protection in 1947 stepped up its output nearly four fold from 977,000 in 1949 to 3,617,000 in 1952, thereby resulting in reducing the level of imports of hurricane lanterns to a mere 1.8 per cent of domestic production in 1952. Similarly, production of sewing machines (which was also granted protection in 1947 and upto 1954) increased almost three fold from about 22,000 in 1947 to nearly 63,000 in 1953, the percentage of imports to

domestic production in this case also sharply falling from 258 in 1947 to only 20 in 1953. Secondly, the growth of protected industries during the first three Five Year Plan periods compares well with the corresponding rates of growth of the overall industrial sector. The growth in the number of producing units, installed capacity and actual production recorded by the protected industries during their respective period of protection are given in Appendix XI. The average annual rates of growth of their output indicated in the last column of the Appendix may be compared with an average simple rate of growth of under 8 per cent per annum achieved by the industrial sector generally over the 15 year period covering the first three Five Year Plans. Further, our study of the trend of prices of 12 protected industries for the same period reveals that though a rising trend was evident, the rate of increase over the years, in a majority of cases, was less than that of industrial products in general. The rise in the domestic prices of many protected items was also proportionately less than the corresponding increase in c.i.f., prices of similar foreign products. We are inclined to conclude that the slower rise recorded in the price index of protected industries could be attributed in part, at any rate, to the continuous watch maintained by the Commission over the performance of protected industries. The implementation of the developmental recommendations (*vide* Appendix X) has also led to diversification in the range of production as in the case of sheet glass and aluminium industries and improvement in the quality of the protected commodities. It seems clear that the Commission has played a very useful role in promoting the healthy growth of industries in India. Most of the witnesses who either submitted written memoranda or appeared before us or did both advanced the view that the Commission has effectively contributed to the development and stabilisation of some of our important industries particularly in chemical, engineering and metallurgical fields. We endorse this view.

Price Inquiries.

45. During the past few years, price control of industrial products has figured prominently in Government policy. Thus the price inquiries, as distinguished from tariff inquiries, have become more frequent and increasingly important.

46. Since 1952, Government have referred 56 cases of price inquiries to the Commission, the particulars of which are given in Appendix XII. Generally speaking, the Commision was asked to recommend fair selling prices, ex-mill or ex-factory, wholesale and/or retail or retention prices, or to determine ceiling prices.

47. An analysis of the price cases referred to the Commission reveals that 9 references were made as a result of complaints from consumers, 23 on representations from manufacturers claiming increases on the ground that the existing prices were unremunerative, and 24 on requests from Government Departments which felt that the prices charged by the manufacturers were on the high side and fresh examination of costs and selling prices was necessary by an independent body like the Tariff Commission.

The case of rubber tyres and tubes (1955) was referred to the Commission, as Government considered that the tyre manufacturers appeared to make undue profits by their having a system of uniform prices. An inquiry into selling price of safety matches in 1963 was remitted to the Commission *inter alia* for suggesting revised slabs of central excise duty for medium and small scale units. In regard to industries whose selling prices were under control, Government references pertained generally to the case, if any, for revision of the price before expiry of their respective price periods.

General approach.

48. The main objective in fixing fair prices of a commodity is to protect the interests of the consumer, while at the same time providing a reasonable margin of profit to the producer. In determining fair prices, the Commission also takes into account the overall requirements of the industry for its proper growth and other related issues. The general approach of the Commission has been first to determine ex-works cost of the commodity under examination and then arrive at a fair price after examining other claims of the industry like rehabilitation allowance, contingency allowance, etc., and providing a reasonable return. This approach is suitably modified according to the nature of the price inquiry and the terms of reference. The Commission's general methodology in conducting the inquiry as well its procedure for determining costs of production have already been explained in paragraphs 23 to 32. We would therefore deal here in greater detail with such major issues as rate of return, depreciation, rehabilitation allowance, contingency allowance, escalation clause, and other allied matters.

Rate of return—Evolution of the Commission's ideas.

49. At the inquiries conducted by the Tariff Board and also during early years of the Tariff Commission, the fair return allowed to an industry was calculated in two parts, namely, as a percentage of gross block employed in business, and interest on working capital, usually taken at one per cent higher than the prevailing bank rate. This method was commented upon by the Fiscal Commission (1949-50) which suggested that "the entire subject of return on capital in protected industries and valuation of the capital employed or the block on which such return is to be allowed should be subjected to detailed investigation by the Tariff Authority". The Government of India also, in their Resolution on steel prices in 1954 stated that the basis of return on investment related to 'gross block' required modification. The Commission made a departure from the above method in its report on the rubber tyres and tubes industry (1955) and recommended a return of 10 per cent to the industry on the capital employed, taking into account for this purpose the net assets of the tyre companies and the working capital. A similar approach was adopted by the Commission while recommending fair prices for locomotives produced by the Tata Locomotive and Engineering Co. Ltd. (1956). The agreement between the Government and the company itself provided for calculation of profit on the basis of capital employed at an agreed rate.

Since then the Commission has been generally adopting the 'capital employed' basis for determining the rate of return. The reasons for the change-over have been discussed in detail in the Commission's Report on the "Revision of Fair Prices Payable to Cement Producers (1958)".

50. The concepts underlying the two methods are discussed below. The term 'gross block' included (a) the original cost of all fixed assets like land, building and plant and equipment when an industrial unit was started and (b) cost of fixed assets subsequently added, renovated, or replaced. This original method did not take into account the depreciation in value of fixed assets through wear and tear and the provisions made from year to year from profit and loss account against it. The quantum of working capital was assessed with reference to past requirements for carrying on the production or determined in the light of its future needs, and was expressed as equivalent to cost of production of a specified number of months. The term 'capital employed' comprised two elements: (i) value of fixed assets and (ii) working capital. The value of fixed assets is arrived at after deducting from the gross block the provisions made for depreciation in the value of the assets through wear and tear, according to life and age of different assets, the provisions being made in accordance with income-tax laws, on a diminishing value basis. The net value of fixed assets constitutes the principal element. To this is added the element of working capital which is expressed as "current assets minus current liabilities and provisions" and is expressed as being equivalent to cost of production of a specified number of months.

51. The main difference between the 'gross-block-*cum*-working capital' method and 'capital employed' method is that in the first method neither the depreciation in value of assets nor provisions made against it from year to year are taken into consideration, whereas, they are fully accounted for in the second method. The value of gross block is assumed to represent the 'capital' of the company for all times, inspite of the fact that the fixed assets depreciate in value through use and as such their value should really correspond with the value of assets employed in production at the time of price investigation. A part of the value of the assets is withdrawn in the form of a provision for depreciation to compensate for the wear and tear of the assets. The Commission in its 1958 report on the cement industry has explained the above view as under.

> "When return to an industry is therefore expressed as a percentage on the gross block, it includes profit on the portion of the value of fixed assets which is already covered by depreciation set aside in the past. In the case of old and established industries with plant and machinery which had been written down over a period of years the percentage is applied to a large part of their original value which had been recovered in costs by way of tax free depreciation allowances. As the gross block of a unit continues to increase with every replacement, renewal or expension, what actully forms part of the capital employed in its bussiness is only the net block."

52. Further, in the 'gross block' method, the element of working capital is treated separately for purposes of computing the rate of return on capital and is related to the borrowing rate, whereas in the second method it is treated as a part of the capital on which the return is calculated. The 'gross block' method assumes that the entire quantum of working capital is derived from borrowings and should as such receive a return that is adequate at the prevailing rate of interest. This notional co-relation of working capital with borrowed capital is not always correct. It is well known that a large element of working capital remains permanently invested in business and is found from internal sources. In a going concern, the money may be found from reserves, depreciation provision or share capital which are as much part of the capital in use as that invested in fixed assets, and should, therefore, be deemed to qualify for the same rate of return as capital invested in fixed assets. It would, therefore, not be fair to treat the entire amount of working capital separately and give a return sufficient to meet only the interest charges on borrowed capital. In the light of the above considerations, the Commission came to the conclusion that for determining a fair return to the industry, 'capital employed' basis was more realistic and equitable than the 'gross-block-*cum*-working capital' basis. The Commission has, therefore, adopted it uniformly since 1958 except in one solitary instance in 1962 when it inquired into the retention prices of steel. The Government themselves had then suggested in their terms of reference that the Commission could consider the adoption of standard costs as the basis for determining depreciation and profits in view of the divergence in costs between different works. The Commission examined the above suggestion and came to the conclusion that under the conditions obtaining in the steel industry, return to the industry on the basis of standard costs would be more appropriate.

53. We now proceed to deal with vital issues involved in any price fixation, namely (i) the coverage of return, *i.e.*, the constituent elements like taxation, managing agents' commission, etc., for determining rate of return and (ii) the quantum of return. A statement showing basis for determining the rate of return, the items covered under it and the rate of return as adopted by the Commission in some of its important price reports since 1952 is given in Appendix XIII.

Coverage and quantum of return

54. While determining the rate of return, the Commission takes into account the liabilities to be met out of the return such as corporation tax, profit sharing bonus, managing agents' commission, interest on borrowings etc. Provision is also made for a reasonable dividend on equity capital and reserves.

55. The rate of return is one of the most important elements in fair price of a product. The factors likely to influence a price fixing authority are (i) consumers' interests, (ii) producers' interest, (iii) requirements for the growth of an industry and (iv) general interests of the economy.

While it is essential that adequate attention should be paid to all these points in a given situation, some of them will claim a higher priority than others. Even when the prices are to be determined mainly to safeguard the interests of the consumer, it is necessary that the industry should be able to earn a fair margin of profit so that it can develop internal resources as well as attract fresh capital for expansion. Further, the prices of industrial products which are used as raw materials or intermediates by other industries should be kept as low as possible so that the prices of the ultimate manufacturers are not unduly inflated. It is as much in the interest of the consuming industries as in that of the producers that the output of producer goods is stepped up as quickly as possible so that there is a better balance between demand and supply and prices may remain at reasonable levels. It is, therefore, important that, in determining the rate of return, the capital requirements for development of the producing industries should be borne in mind. During our investigations many of the witnesses, in their written and oral evidence, have represented that the return on capital allowed by the Tariff Commission was hardly adequate to declare reasonable dividends and to attract fresh capital. They have contended that the provision for return should be consistent with the requirements of capital for rapid industrial expansion, and that one of the main drawbacks in the Commission's system of price fixation is that the Commission has not devised a clear formula of 'fair prices' taking into consideration the self-financing aspect of Indian industries, which need greater attention because the capital market is yet to be developed properly in India.

56. We have examined these view points and find that the Commission has kept a flexible attitude in the matter of fixing the rate of return on capital. Thus, for example, in the case of the cement industry (1958) a rate of return was allowed at 12 per cent to all low cost units, at 10 per cent to high cost units, at 8 per cent to the units whose cost of production was the highest and at 6 per cent to the units in the public sector which did not have a liability to pay income tax. The Commission was guided by the principle that high cost units should not expect return on the same scale as other units. Where a uniform rate is recommended, it is assumed that differences due to various factors would smoothen out and practically every unit, barring the very high cost or inefficient ones, would earn a reasonable margin of profit. In the case of some of the industries which the Commission inquired into during the years 1959-63, it has allowed 12 per cent on capital employed. In 1965, the Commission allowed a 15 per cent return on capital employed in the case of alcohol prices taking into consideration the statutory liability for payment of minimum bonus as well as the increased interest rates on borrowings, while in the case of surgical catgut it allowed a return of 16 per cent in 1966. Each industry has its own problems. It is not possible to fix a uniform rate of return for all industries and the rate is bound to vary from industry to industry, depending on its nature, the risks involved etc., the industry's need for funds, and from period to period, depending on the current bank rate, the capital market, etc. Under the circumstances, attention has to be paid to pragmatic considerations in determining the rate of return.

Depreciation:

57. The Commission calculates depreciation at income-tax rates on written down values of depreciable assets as provided for in the Income-Tax Act. The adequacy and equitability of depreciation calculated in this manner has sometimes been questioned. The industry has tried to justify depreciation allowance on the basis of replacement cost instead of the historical cost basis. One of the important producers' organisations has argued that the Commission should take a realistic view of the rise in the prices of plant and machinery and provide for an appropriate basis which would enable the industry to meet its financial requirements for replacement of its capital assets. One of the ex-Presidents of the Tariff Board has also observed that the Commission should pay sufficient regard to the requirement of rapid industrial expansion and make adequate provision for depreciation-cum-rehabilitation and contingency.

58. The object of the depreciation fund is to enable the owner to recover the capital cost of his durable asset over its life time. In periods of stable prices the cost of new machinery would be more or less the same as the original cost of the block and in such cases, the cost of the machinery would be fully met out of the normal depreciation funds made on the basis of original costs. However, in times of rising prices, replacement would involve higher costs. There are, however, practical difficulties in adopting the principle of replacement costs for calculating depreciation allowances. The first is the absence of reliable and accurate indices of changes in the replacement costs of plant and machinery. Compilation of such indices also raises a number of problems in view of the diversity of equipment and processes used, the different sources from which equipment is obtained, differences in the quality of the equipment etc. For these reasons, and taking into consideration the fact that the depreciation is only a provision for the recovery of the original investment in the durable assets, the Commission generally does not deviate from the practice adopted by the Income-tax authorities. The Commission has taken the view that extra funds needed to meet possible higher costs should be built up year by year out of annual profits by regulating the payment of dividends to shareholders. In exceptional cases (steel and rubber tyres and tubes industries), the Commission has granted extra depreciation allowance on an *ad hoc* basis depending on the merits of each case.

59. Upto July 1964, the Commission was allowing depreciation for two shifts working only as stipulated in the Income-tax rules. From July 1964, when the new Income-tax rules were notified, the Commission started allowing, where applicable, extra allowance of depreciation for third shift working in calculating the fair ex-works prices both in protection as well as in price cases. We do not see any objection to an allowance for third shift working being given, generally on the lines allowed by the Income-tax authorities, where the shifts are clearly identifiable and shift working *per se* is adopted. Such an allowance could be justified in that the overheads would be spread over a higher quantum of production, leading to lower costs per unit. Also, there would be an encouragement to the factories to work in three shifts thereby leading to better utilisation of

installed plant capacity. It may be noted that the practice adopted by the Commission is consistent and the capital employed is computed after taking into account the depreciation for third shift working, if any. Obviously, in plants where continuous operation is the normal practice, *e.g.*, blast furnaces and electricity generating equipment, the question of an extra shift allowance does not arise. The rates adopted by the Income-tax authorities do not in terms make this distinction, but there is no reason why the Tariff Commission should not deviate from Income-tax practice where actual working practice justifies such a course.

Rehabilitation allowance

60. As regards rehabilitation allowance, the Commission's general approach has been that it cannot be based merely on the ground of the difference between the total depreciation recovered on the historical cost basis and the present market value of the corresponding fixed assets to be rehabilitated. The depreciation funds recovered periodically are usually utilised either as working capital or for investing in securities outside the business or for further expansion or addition and by that process also earn their own share of return. When depreciation is used to run business, that is, used as working capital, the funds are transformed into the form of current assets thereby reducing the need for current borrowing. If depreciation funds are used for investment in securities they will earn interest or dividend. If such returns are reinvested then the resources for replacement would be further augmented and would provide additional sums which could be utilised for financing the worn-out assets. When depreciation is utilised for expansion, further depreciation on the new plants is recovered through costs from the time the added machinery starts production, and is also eligible for tax reliefs on account of Development Rebate. A proper assessment of the needs of rehabilitation can only be made after taking into account the return earned on the year to year provisions of depreciation which are used for one purpose or the other. The actual amount will depend on the economic life of the machinery, the resources available with the industry, the dividend policy pursued by the industry, etc. Thus there are difficulties in including a uniform element of rehabilitation allowance in the calculation of fair prices. Where the need is clear, however, as in the case of cement or cotton yarn and cloth, the Commission has made a special allowance for rehabilitation and modernisation. While granting this allowance, however, the Commission invariably made a stipulation that the amounts thus allowed should be utilised only for the purposes for which they were allowed, namely, replacement of worn-out assets, and not for distribution either as dividends to shareholders or bonus to labour. In its Report on the revision of fair prices payable to cement producers (1961) the Commission discussed fully the principles governing the grant of rehabilitation allowance. The following extract from paragraph 13.6.8. of this Report sums up the Commission's attitude towards this issue:

"We have given this question of rehabilitation considerable thought. In the past in some cases a quantum of rehabilitation allowance had been given on an *ad hoc* basis and at varying amounts for

different units as in the case of cement........ The need of an industry for funds cannot by itself be an adequate reason for granting it rehabilitation allowance. The situation may have developed due to lack of prudence in its dividend policy, and not building up reserves or due to the depreciation provision having been utilised for expansion or investment outside. To provide an element in the price of rehabilitation of these units will be throwing the entire burden on the consumer by and large. A situation such as this will call for the owner of asset bearing the enhanced cost of its conservation or regeneration. The need-based claim for rehabilitation will also not be sustainable on grounds of equity. Hence we have tried to make an objective assessment of how the increased cost of rehabilitating a well-maintained asset can be computed at the time of completion of its economic life. For this purpose naturally the financial position of a unit is not a relevant factor for, the rehabilitation allowance in price is not a gratuitous form of assistance. It can be measured only in terms of the extra burden that is cast on a manufacturer by an irreversible long term price trend which affects capital assets as well. Against this burden has to be set off what has already been earned as depreciation, the reasonable interests that could have been earned on such depreciation, the rehabilitation allowance granted in the past and the tax concession on development rebate. The set-off should be regardless of the manner in which these resources have actually been used up."

61. There have been instances when the Commission did not accede to requests of the industries for an extra element in the cost on account of rehabilitation. Some of these cases were (i) tinplate (1958), sugar (1959), and alcohol (1965). In refusing rehabilitation allowance to the sugar industry, the Commission stated:

"It is important to bear in mind that the majority of units in this industry with low capital cost have functioned in an inflationary period when prices ruled high and profits were substantial and were thus in a position to build up sizeable reserves. Further ......in the past extra margins such as Rs. 2 per maund as additional profit in the season 1947-48 were allowed from time to time to factories in the price of sugar in the past decade. No one can object to the producers having carried out the expansion programmes with the resources they had because the demand for sugar was increasing, prospects were good, and additional investment was urgently necessary. On business grounds this was a perfectly natural thing to do. But having done so, it is against canons of social justice to claim that since they have applied the resources they had for expansion, the consumer, in whose interest control is imposed, should now be called upon to pay the cost of their rehabilitation programme which all the available evidence shows was

delayed so long. Having considered all aspects of this question, we have come to the conclusion that there is no case for a uniform allowance for rehabilitation to all units in the sugar industry."

We endorse the views of the Commission that each claim of rehabilitation allowance should be examined on its own merits in the light of the principles laid down by it in 1961 in regard to the fair price payable to cement producers and referred to in the previous paragraph.

Contingency allowance and escalation clause

62. Sometimes in fixing prices, cases occur where it is known that certain elements of cost are likely to increase but the exact quantum of increase cannot be ascertained. In such cases, the Commission makes a reasonable provision by way of an allowance for contingencies. For example, in the case of paper and paper board industry (1959), the Commission allowed 5 per cent of the works cost as contingency allowance to cover possible increases in the costs of raw materials and stores, for abnormal wage increases, and increases in the amenities for labour. Further, in certain cases while recommending selling prices, the Commission has introduced an escalation clause by which the price fixed could be revised due to changes in factors which were beyond the control of the management in the industry. The factors generally taken into account for provision of escalation have been, changes in railway freight, statutory prices of coal, other fuel and raw materials, and changes in labour cost on account of labour legislation or adjudication or conciliation awards, etc. The Commission included an escalation clause in the case of tinplate, rubber tyres and tubes, cotton yarn and fabrics and alcohol industries. Where escalation clauses are provided, separate allowance for contingency in respect of those cost elements which are covered by the escalation clause is not made.

63. We have given careful thought to the question of contingency allowance and escalation clause. When an industry is under price control on the basis of uniform prices, all the units do not earn the same return. Efficient units may be earning more while inefficient ones will be getting a little less. In these circumstances most of the units in the industry are likely to have some cushion to absorb small increases in costs. Further, while estimating future prices, the Commission takes into account most of the possible increases in cost during next two or three years. We would therefore suggest that since our economy is passing through a phase of inflationary pressures provision for contingency allowance should be avoided while fixing prices and the industry should be able to absorb small increases in costs. The position is, however, different in regard to escalation. An escalation clause is in order in suitable cases for any major increase in cost which is beyond the control of the management.

Selection of units for cost investigation—Some comments

64. During the course of our investigations we have received complaints that when the Commission proceeds on the basis of sample cost

study, the selected sample is not realistic and does not represent a fair cross-section of the industry. In support of this argument it was pointed out that in the 1959 sugar price inquiry, the Tariff Commission selected 48 companies which represented 37 per cent of the sugar companies of India but as a percentage of total gross profits for the industry the selected units represented 56 per cent. A further comment was made to the effect that cost studies were not undertaken on a stratified sample basis.

65. In paragraph 27 we have set out the Commission's general procedure for selecting units for cost investigation. It has been pointed out that in the case of price inquiries, where sample cost studies are more important the selection of units is based on a wider coverage than in a protection inquiry so that the fair selling price or prices eventually recommended can be reasonably applicable to the industry as a whole. Moreover, in choosing the sample units for study, the relevant factors are taken into account which have a bearing on the problems of the industry concerned such as the number of producing units in different regions (*e.g.* cotton textiles), the number of units in different ranges of capacities and possible economies of scale, factors that may induce regional variation in costs (woollen textiles), and the age and standing of the units. In certain cases, for example, sugar, regionally representative samples were drawn to fix region-wise prices. In making its final selection, the Commission usually consults Government departments and institutions, producers' associations, etc., which are concerned with the product in question or have expert knowledge about the industry.

Fixation of uniform prices

66. The important problem after estimating the ex-works prices of individual units in the sample is to recommend prices for the industry as a whole. In protection inquiries the purpose of determining fair ex-works price is to compare indigenous prices with c.i.f. prices of like imported products for determining the quantum of protection. This necessarily means a uniform price for the industry as a whole.

67. In price cases, the problem is different since the purpose of price fixation is to give a fair price to the producer while at the same time protect the interest of the consumer. Where retention prices are to be recommended, individual prices are fixed for different units based on the respecttive costs of production, as in the case of steel, cement, etc. But where selling prices are fixed, a different approach is followed. Single unit industries pose no problem *e.g.* antimony, tinplate, ferro-silicon, acetate yarn, etc. But where there are many units in the industry and a representative sample is selected for cost examination the Commission has followed different methods to recommend uniform prices for the whole industry. For example in the case of paper and paper board industry the Commission devised a method for arriving at fair prices of several types of paper and paper board based on many considerations including the differentials laid down by the Tariff Board in 1948, the differentrials furnished by leading importers of comparable types, the differentials followed by Scandinavian countries and the fair ex-works prices of several types as deter-

mined by the Commission. In the case of alcohol industry the ex-factory prices were recommended on the basis of weighted average of estimated ex-works cost of production of all the costed units while in the case of electric lamp industry the simple average was taken. In some industries like cotton and woollen textiles the Commission recommended a formula for fixing prices also in the future.

Nature of Commission's recommendations in price reports

68. Out of 50 reports on prices, submitted by the Commission, a detailed examination has been undertaken of the reports on important industries like steel, cement, cotton and woollen textiles, automobiles, sugar and paper. The Commission's reports on these industries contained about 200 recommendations of which not less than 100 related to fair prices and other issues like rate of return, rehabilitation allowance etc. Other recommendations were in respect of the developmental aspect of the industry and allied matters such as installation of licensed capacity, completion of expansion programmes, maintenance of a high level of productive efficiency, better utilisation of raw materials, rationalisation of distribution system, removal of transport bottlenecks, both for raw materials and finished products, maintenance of proper cost data etc. We would like to mention here that unlike protection inquiries the Commission is not required to follow up its recommendation in price inquiries and its obligation ceases with the submission of its report. To this extent the Commission's continuing vigilance in the public interest is less in the case of price inquiries as compared to protection inquiries.

Government decisions on the Commission's recommendations on prices

69. Government disagreed with the Commission's main findings in the case of 14 reports out of the 50 submitted by it. In other cases Government have generally accepted the Commission's main recommendations. As for ancillary recommendations, they have generally taken note of those recommendations and indicated that appropriate action would be taken to implement them as far as possible. We give below details of the cases where Government disagreed with the Commission.

70. In case of steel (1953, 1954, 1962), pig iron (1950) and cement (1961) industries Government did not agree with the basis on which the Commission recommended prices for those industries. Further, Government did not agree with the increase in manufacturing costs allowed by the Commission to tinplate (1950) and soda ash (1961) industries and with the increased rate of raw material consumption allowed for the calcium carbide (1961) industry. As regards woollen textiles (1962), Government did not fix prices in view of the changed conditions obtaining in the woollen industry after the submission of the Commission's report. In case of steel inquiry in 1959, Government did not consider it appropriate to allow uniform increase in excise duty in retention prices prior to the date of imposition of duty, as recommended by the Commission. While fixing prices for the sheet glass industry in 1962, Government decided upon lower fair selling prices than recommended by the Commission, in

view of the higher production and utilisation of capacity envisaged by the sheet glass industry. A statement showing Commission's main recommendations on prices which were not accepted by Government along with the reasons as given in the official resolutions thereon is given in Appendix XIV.

71. We have received comments from several parties to the effect that Government's non-acceptance of the Commission's recommendations has undermined the status of the Commission. One of the chambers of commerce has remarked that Government should not belittle the importance of the Commission and the Commission's recommendations, which are made after careful examination, should not be lightly departed from. Some other organisations and individuals have stressed that where the Commission's recommendations are rejected or modified, Government should give a detailed statement setting out the reasons why it has done so. There is considerable substance in this view. If the Commission is to function effectively and command respect from industry, a healthy convention should be built up whereby the recommendations of the Commission are usually accepted by Government, departures therefrom being made only under exceptional circumstances.

Time taken by the Commission to complete its inquiries and Government's delay to announce their decisions

Time taken by the Commission to complete its inquiries.

72. Many organisations and individuals have commented that the Commission takes an unduly long time to complete its inquiries. Some of them have complained that by the time the recommendations are announced, the original conditions of reference no longer exist and the work of the Commission is partially nullified. We have carefully examined this question and also discussed it with the officials of the Commission.

73. Since its establishment in 1952, the Commission has submitted 227 reports upto the end of March 1967. Of these, 172 were protection reports, 50 price reports and the remaining 5 were reports on special references. Reports on continuance of protection cannot be postponed since under normal circumstances, it is obligatory on the part of the Commission to submit its reports before the expiry of the term of protection. Secondly, the protection reports are required to be submitted before the beginning of the winter session of the Parliament every year. As regards price reports, the time taken is generally about six to eight months from the date of reference. However, in some 24 cases, the Commission took more than 10 months to complete its report, details being given in Appendix XV.

74. Explanation for this delay is mainly to be found in the Commission's method of inquiry, one of its most time consuming procedures being the cost investigation of the producing units. The Commission usually draws a representative sample of an industry for costing purposes in both protection and price inquiries. The size of the sample depends upon the

nature of the industry itself (vide paragraph 65). For the sugar price inquiry (1959) the Commission costed as many as 48 units, while in the cotton textile price inquiry (1960), 43 textile mills were costed. The Commission's cost accounting staff is limited and therefore at times it has to draw upon the assistance of the Cost Accounts Branch of the Ministry of Finance. In spite of this assistance, it takes a fairly long time for the costing officers to examine the cost data of a large number of units and to prepare a consolidated account for the industry as a whole.

75. Another difficulty that comes in the way of speedy investigation is the absence of detailed costing system in the industries. There is also no uniform system of costing among the units themselves in particular industries. Sometimes the information is maintained in regional languages. Often the records of companies are inadequate not only for use as cost data but also for use as guides, which means that cost data have to be collected on an *ad hoc* basis and allocations are made with the aid of technical experts on an equitable basis as far as possible. In one of its reports the Commission has described this unsatisfactory costing system in the following words:—

> "We are of the opinion that the position is unsatisfactory, as no mill will be able to state categorically from its own data the cost of production of each type of product manufactured by it. It follows, therefore, that different mills have adhered to a price schedule which has been evolved more on the basis of conventions and market practices than on costs and fair prices. The mills have no doubt been able to continue in this comfortable position as they have been operating in a sellers' market. When scarcity conditions eventually disappear and competition becomes fully operative, the need to lower prices is bound to set in and the time will then arrive when the importance of scientifically prepared cost data will be felt in full measure. We commend these observations to the industry for its immediate attention as the evolution of a well planned costing system and the construction of reliable cost data are exercises which individual units will have to engage in for a period of one or two years before achieving perfection."

76. We endorse the Commission's observations and would suggest that units under protection and price control should maintain their cost data in a scientific way. If they are not able to do so, arrangements should be made for the Commission to assist them in the process. For implementing this scheme we would recommend that costing staff of the Commission be augmented to the extent necessary.

77. There were also other factors contributing to the delay in the submission of some of the Commission's reports. In some cases the scope of the inquiry was either enlarged (*e.g.*, price inquiry into bars and rods and electric furnace billets) or changed after the initial references (prices of preserved fruits and vegetables, 1962). We were told that in one inquiry, the services of a foreign technical adviser were made available to the Commission only 8 months after the inquiry was referred to it. During

the years 1960 and 1961, a number of price cases were almost simultaneously referred to the Commission like cement, cotton cloth and yarn, woollen yarn, fabrics and manufactures, steel, pig iron, price linking formula for sharing sugar price, fire fighting equipment, ferro-sillicon, electric lamps and fluorescent tubes, etc. Of these, cement, cotton and woollen textiles, and steel were some of the important industries that required a thorough examination of their cost structure. Because of giving priority to the important cases, the reports of comparatively less important ones like fire fighting equipment and electric lamps got delayed. It was also pointed out to us that the Commission's regular staff is not large enough to handle a number of complicated and big inquiries simultaneously. Where additional staff was sanctioned it came much later than the date of reference, while some time was also needed for the new staff to get trained for the Commission's work.

78. Besides the above limiting factors, some instances were brought to our notice where the units selected for cost investigations did not co-operate with the Commission in the matter of furnishing cost data and allowing their books of accounts to be examined by the Commission's cost accounts staff. We have also been told that the response from the various parties to whom the Commission's questionnaires are issued is not always adequate and prompt. On many occasions information is not made available to the Commission in spite of several reminders issued to the parties. Such behaviour on the part of the concerned parties not only causes considerable delay in the conduct of inquiries but also hampers the Commission in getting a proper perspective of the entire industry and its various problems. We would like to emphasise that in their own interest the industries and other concerned parties should extend their full co-operation to the Commission to enable it to function smoothly. It is also worth considering whether some legal obligation should not be imposed on the producing units concerned for ensuring such co-operation.

79. Having said this, we would hold that, in our opinion, reports on price inquiries should be completed expeditiously. We would suggest that such inquiries should normally be completed within six months from the date of reference. In exceptional cases, the period may be extended to ten months. We are not in favour of the Commission submitting interim reports on a matter like price fixation. If our recommendation is to prove workable in practice, it is also necessary that any additional costing or other supporting staff that the Commission may require in connection with any such inquiry should be made available to it promptly.

Delay in the issue of Government decisions on Commission's reports.

80. Our attention has also been brought to the delay at Government level to announce their decisions on the Commission's reports. Recently we came across a case where Government decision has not yet been announced on the Commission's report which was submitted as far back as 27th June, 1966. Appendix XVI shows that out of 50 price reports there were more than 32 cases where Government took more than three months

to announce their decision. It is not necessary to stress the need for avoiding such delay, as the Commission's recommendations are likely to become out of date in the fast changing economic conditions. It is already provided in the Tariff Commission Act that Government should announce their decision on a Commission's report within three months of its submission or explain the reasons for delay before Parliament. We would like to draw the attention of Government to the above provision of the Act and reiterate our view that Government should normally announce their decision on the Commission's reports within the stipulated period.

CHAPTER III

REVIEW OF THE POLICY OF PROTECTION

81. In the previous chapters we have been dealing with the procedures and methods adopted by the Tariff Commission in the course of the protection and price fixation inquiries conducted by it since its inception in 1952. We turn now to the changes in the economic context during the last 15 years which have a bearing on questions of protection to Indian industries as well as on the determination of fair selling prices of manufactured commodities. The observations that follow are related to items (c) and (d) of our terms of reference. We are required under item (c) "to review the policy of protection to industries taking into account the present restrictions on imports". Further, we have been asked "to examine and suggest what other functions can be entrusted to the Tariff Commission having regard to the requirements of development planning....". Since the import policies adopted by Government have been greatly influenced by the requirements of development planning, it is not easy to deal separately with each of these terms of reference. Nevertheless, we shall consider first the factors pertaining to import policy in this chapter and turn to the other implications of development planning policy for the future working of the Commission in the next chapter.

82. Accelerated development and diversification of industries have been amongst the main objectives of Indian economic policy since the advent of planning in 1951. The years since then have been a period of rapid expansion of industries in both the public and private sectors. Many of the established industries have enlarged their production capacities; and a large number of new industries have been established as a matter of deliberate policy. Both in regard to expansion of old industries and the setting up of new ones, a major consideration has been the impetus given for making the economy self-generating and self-reliant. Industrial investment has therefore come to be planned with these long term objectives in view.

83. Since one aspect of self-reliance is the progressive replacement of imports by domestic products, a large part of industrial policy has been concerned with affording special concessions and incentives to new and nascent industries. In the initial stages of planning, when foreign exchange was not a serious bottleneck and domestic capacity for the manufacture of machinery and equipment as well as industrial raw materials was limited a liberal import policy was followed for both raw materials and capital equipment. The question of protection from foreign competition was therefore considered relevant mainly in the case of traditional industries; and protective duties were treated as an important instrument for limiting competition from abroad in these cases.

84. From the year 1957, however, the position underwent a radical change, because of the foreign exchange crisis that overtook the country; and extensive quantitative restrictions were imposed on the imports of both consumer and capital goods. The open general licences in use until 1956 were not renewed, except for some special imports from Pakistan. In the first half of 1957 import quotas for 509 items were cut down and the system of actual user licences was significantly expanded. Foreign exchange allocations to established importers were severely restricted and import allocations were subjected to strict administrative scrutiny. In view of the limited availability of foreign exchange, imports were confined to such items or such quantities as could not be manufactured indigenously. Furthermore, the allocation of imports was sought to be geared more closely to the requirements of industries in the public and private sectors which were to be set up under the Five Year Plans.

85. These quantitative restrictions on imports and foreign exchange allocation by administrative means had the effect of shutting out competition by foreign suppliers over a wide area of Indian industries. In the subsequent years, even though larger imports could be financed by the external credits that became available as a part of economic aid to Indian development, foreign exchange allocation and quantitative restrictions on imports continued to be a feature of the Indian economy. This was due partly to the continuing increase in the demand for imports, as national production went up and domestic demand increased; and partly to the limitations accompanying the usability of the foreign aid that was available. Thus, until about the middle of the Third Plan period, a great part of the foreign aid available was for project imports and tied to purchases in particular countries. In consequence, there developed a paradoxical situation of an acute pressure on India's free foreign exchange resources on the one hand and the piling up of unused credits on the other. The availability of more foreign exchange under aid arrangements did not therefore make any real difference to the protection to Indian industries which was inherent in the import control policy. Further, since the bulk of external credits could not be used freely for global purchases, and aid-financed imports were also subjected to screening for indigenous availability, the increase in imports due to foreign aid was of a very selective character and did not subject domestic producers to the pressure of foreign competition. Simultaneously, the continuing expansion of public and private expenditures for investment as well as consumption purposes during the plan periods created for many commodities a very strong sellers' market within the country.

86. Under such conditions, it is not surprising that there was but little pressure on domestic manufacturers to minimise their costs or look for markets abroad. In addition to the protection afforded by import control and foreign exchange allocations, the domestic producer got a further dose of security by the progressive increase in import duties that had become a feature of Indian public finance since 1950. In the case of consumer goods, the policy adopted was either one of banning their imports or subjecting them to heavy import duties. In February 1965 the import list was further restricted and a regulatory duty of 10 per cent was imposed on all imports. In August, 1965, the average rate of duty per unit of import was

raised to about 55 per cent of the landed cost of imports, the rate structure being simultaneously rationalised. At the time of the setting up of our committee the structures of import control and of import duties were such that nearly all Indian industries were in one way or another sheltered from competition from abroad.

87. Since the import restriction policies have automatically afforded protection to industrial units, most of our industries, whether old or new, have found it unnecessary to seek tariff protection through an inquiry by the Tariff Commission. Even in the case of "protected industries", the protective element in the customs duties has not been adjusted with the termination of the period of protection, and duties have often been maintained at the old levels, for revenue purposes. In effect, therefore, the deprotected industries continue to enjoy the advantage of high tariffs without having to conform to the other requirements they were to satisfy as 'protected industries'. Further, for obtaining various other concessions such as preference for import of raw materials, freight concessions, special allocations of scarce raw materials from the domestic markets and so forth, many industries have not found it necessary to seek recourse to a tariff inquiry; they have been able to obtain these benefits as export industries or industries to which high priority is assigned under the Plans. All these factors, together with the inflationary conditions that developed in recent years, have had the effect of making tariff protection a rather minor element in the policy of encouraging domestic industries.

88. The foreign exchange and other shortages that have characterised the Indian economy since 1957 have also made it difficult to secure full utilisation of manufacturing capacity in a number of industries. This has inevitably had an adverse effect on costs of production, while allocation by units has reduced considerably that healthy competition between domestic producers which could have encouraged more efficient production. Likewise, the policy of industrial licensing, even though intended to promote priority industries on an efficient basis, has not succeeded in creating conditions favourable to a competitive reduction in costs. The desire on the part of Government to foster competition amongst producers by distributing plan targets of capacity amongst a large number of relatively small investors has often meant the setting up of units of uneconomic sizes and the adoption of relatively inefficient methods of competition. In other cases, where the industry to be set up was new and technical factors necessitated a larger size in the unit of production, the availability of foreign collaboration has been a major influence on licensing decisions. The collaborations which Indian industry has been able to secure in such cases has not always been of the most advantageous kind or on the most advantageous terms. Many of these elements, which have now become a part and parcel of the industrial structure in India and which have added to the costs of production, make assessment of relative costs of production extremely difficult. Since the economy is neither effectively controlled nor freely influenced by market factors, imbalances of various types have become manifest from time to time and contributed to the pressures on the balance of payments as well as on domestic prices.

89. The denigration of tariff protection as an instrument for the promotion of industrial development has further increased since last year. With the devaluation of the rupee in June, 1966 and the adjustment in import duties that followed, the price advantage to Indian manufacturers has increased substantially. Devaluation has *prima facie* given a blanket protection to all indigenous products by enhancing the rupee costs of imports. However, by raising the rupee cost of imported raw materials and of the servicing of foreign debts and liabilities, it has also added to production costs in many industries. But, allowing for the increased costs of imported raw materials, spares and components to the Indian manufacturers the actual price differential between domestic and foreign products in the same market is in many cases less than the measure of devaluation of the rupee. At the same time, the policy of liberalised imports of essential raw materials, spares and components adopted last year has potentially enlarged the scope for larger imports and greater competition from abroad. This increased competition, however, will only be in terms of greater availability of imports, while prices will be higher than before. We have dealt at some length with this question of tariff protection in the context of devaluation in the Interim Report we submitted to Government in August, 1966. We had then pointed out that in the current situation it would be advisable to examine carefully the extent of over-protection or under-protection to Indian industries resulting from devaluation and the attendant policy changes. Further, in view of the availability of non-project aid of a substantial magnitude at present and the preference that Indian buyers continue to have for imported spares, equipment and so forth, it is likely that several of the capital goods industries hitherto secure from foreign competition will now be subjected to greater competition from abroad.

90. There have also been changes in industrial licensing policy recently. Thus it is no longer necessary for new units or expansions involving an investment of less than Rs. 25 lakhs to obtain a licence under the Industries (Development and Regulation) Act. A number of industries have also been exempted from having to apply for industrial licences as a measure for attracting new investment and reducing administrative delays. The restrictions which existed under the Capital Issues control, have also been greatly relaxed. There is therefore at present a greater scope for new domestic units to come into existence if the equipment and raw materials needed by them are available from domestic suppliers. Further, the increased in prices and costs, which have already occurred both on account of devaluation and domestic inflation, have made it necessary for the country to follow anti-inflationary monetary and fiscal policies. In the case of engineering and capital goods industries, the result is already one of inadequate demand and the disappearance of sellers' markets. There are indications therefore that, in the immediate future at any rate, there is likely to be an intensified pressure of competion, both amongst domestic suppliers and from imports.

91. These elements in the developing economic situation warrant close examination of the relative viability of industries and units which have come up in the last 10 years or so under conditions of extensive non-tariff protection. With the policy changes referred to earlier, it is obvious that

more consideration than in the past needs to be given to the tariff structure and its impact on different domestic industries. We are aware that it would be neither possible nor desirable to institute a blanket enquiry by the Tariff Commission for determining the extent of protection enjoyed by all the industries which have come up in the last decade. Therefore, we recommended in our Interim Report that a quick assessment be made by the Commission of the extent of protection available at present to (i) industries which continue to be 'protected industries'; (ii) industries which, in the recent past have been deprotected. With regard to the other industries, especially nascent industries, we had suggested that before the Commission is asked to conduct an inquiry Government should have a preliminary scrutiny of the case for protection made by a suitable executive agency and then refer to the Commission such among them as satisfy this scrutiny.

92. In mid-1966, there were eight industries in the 'protected' list, of which three were being reviewed by the Commission. The industries which were deprotected in the last two years numbered ten. Thus the quick reviews to be undertaken by the Commission on the basis of our recommendation in the Interim Report amounted to fifteen. After considering the matter, Government asked the Tariff Commission to examine, on a sample basis, two of the deprotected industries, viz., automobile sparking plugs, and sheet glass. The Commission was to estimate, in the light of devaluation, the costs of production of these two industries and the extent of advantage thus enjoyed relative to the landed cost of comparable imports.

93. These enquiries have been completed by the Commission and the assessments are being forwarded separately to Government. As would be expected, the price-disadvantage (in terms of the fair ex-works price prevailing at the time of deprotection of these industries in 1966) has been removed considerably by devaluation in the case of both these industries. It would, in our view, be useful to have a similar quick examinations made of the other deprotected industries. The accrual of such benefits to different industries in different measures is inherent in devaluation. We are therefore not suggesting that there is anything very special about this phenomenon. What we emphasised in the Interim Report was that, in the context of a planned policy for industrial development, it is useful to assess the changes in the relative position of industries in the matter of costs and prices after devaluation. It is important to do so, because of the effect these changes in costs and prices will have on the allocation of scarce resources in the economy and the divergences that may arise between the planned and actual allocations both of foreign exchange and of domestic resources.

94. We take it, in other words, that for the foreseeable future, Government policy will be guided by the requirements of planned development of industries for replacing imports as well as for encouraging exports. As already indicated, we have assumed that the recent relaxations in import and licensing policies will continue for a period, and therefore a somewhat large role than in the recent past will be assigned to the market in resource allocation. In this connection the Deputy Prime Minister and Finance Minister in his budget speech on 25th May 1967 stated:

"In short, a competitive environment is as vital for the healthy promotion of import substitution as it is for the sound promotion of exports. That is why we have relaxed quantitative import restrictions in a selective manner. This policy will be continued and strengthened as circumstances permit, particularly when it is important to provide a spur for domestic industry to increase its efficiency. What we need in regard to import policy is not some rigid approach, which tends to justify all restrictions for all time, or its antithesis in which all restrictions are sought to be abolished on a particular day. What is required is a deliberate and discriminating policy in which the frontiers of protection keep on moving from time to time and from commodity to commodity so that, by progressive stages, protection is removed from some commodities while it is introduced in the case of other commodities which begin to be produced in the country."

In the light of these factors it is our view that tariffs have again acquired importance now as an instrument of plan policy.

95. We had suggested quick examinations by the Commission of the protected and deprotected industries for the reason that the Commission has extensive information on these industries and is therefore able to make a quick assessment of the changes wrought by devaluation on their costs and returns. But the benefits of devaluation, in terms of price competitiveness with imports, accrue also to the other industries which have not so far been subjected to a Tariff Commission inquiry. Many of these industries are new, and have been fostered under the Plans; while others have come up under the impetus of expanding domestic demand and effective restrictions on imports. As any inquiry taken up by the Commission in the case of these industries will have to be a new one, it has to be conducted in accordance with the Commission's normal procedure. For this reason, it is not possible to take up all these industries for examination. A selection has therefore to be made by Government of those which specially need to be looked into and then referred to the Commission.

96. It is for Government to decide on the specific industries which they would like to refer to the Commission. In our view, however, and speaking in general terms, the industries to be examined should be those to whose future expansion a high priority is accorded in the plans; industries which are likely to be subjected to relatively greater pressures of competition following liberalisation of imports; and industries which, in the classical sense, can be considered as 'infant' industries, that is, industries capable of developing a natural momentum for growth after an initial period of nurturing. In the current situation, it is not unlikely that nearly every industry may claim to be an infant industry, in order to secure special encouragement and protection. And there is no way of distinguishing the genuine 'infants' from the rest except through a detailed inquiry into the present condition of these industries and the prospects of growth in their size and efficiency. It is the identification of such industries which the

Tariff Commission could undertake on reference from Government. And to facilitate such reference, we would recommend that Government may now initiate early action on the preliminary scrutiny contemplated in our Interim Report of industries which have not so far come under the purview of protection or price fixation inquiries.

97. In suggesting these inquiries we are guided by two major considerations. In the first instance, if Government desire in the near future to use the tariffs more flexibly for purposes of protection, a thorough and objective examination such as the Commission can undertake will provide the economic rationale for Government decisions. Even in the absence of any urgent need for modifying the tariffs, the inquiries will facilitate the identification of protective and revenue elements in the existing duties, and help in the fashioning of fiscal instruments for resource mobilisation and resource allocation. A continuing accretion of knowledge about industrial costs, prices, production, and returns will be beneficial to Government both in taking decisions and in making its decisions more generally acceptable in terms of economic criteria.

98. There is a second element, also of vital importance. With the conditions of scarce supply and excess demand under which many of the new industries have come up, there has been no particular pressure on producers to seek a deliberate reduction in production costs. Efficient and inefficient units have flourished impartially under the influence of persistent sellers' markets. While the market situation has changed recently and exposed some of the industries to the rigours of competition, there is as yet insufficient recognition of the need to adopt new techniques and new methods of organising production which could help in reducing unit costs of output. Both in the case of export industries and of industries producing import substitutes, it is vital that future growth should be accompanied by greater efficiency in production and consequent reduction in costs. The inquiries by the Commission, which we have recommended, would be beneficial in this respect as well. They will enable both Government and the industrial units themselves to identify the scope for adopting cost reduction policies in respect of current production as well as of future expansions. And the discipline imposed as a result of either the initial or the review inquiry by the Commission should itself be of assistance in preventing *ad hoc* or indiscriminate raising of costs in the more important industries. Taking all these things into consideration, we are convinced that the recent changes in the economy are likely to enhance the role of the Commission in regard to protection and price fixation inquiries.

CHAPTER IV

FUNCTIONS FOR THE TARIFF COMMISSION

99. We have mentioned in an earlier paragraph that a questionnaire was issued by our Committee to elicit opinions from various parties and organisations closely associated with the working of the Commission. Through this questionnaire as well as during personal discussions, we had also invited views on what functions the Tariff Commission should be entrusted with in the light of the changed economic circumstances. In this connection, the following specific questions were asked by the Committee:—

(i) Is protection to an industry, as an insrument of policy to further economic development, still necessary in the light of: (a) restrictions or ban on imports due to foreign exchange difficulties, and, (b) heavy import duties? If so, please state the reasons and indicate the type of industries which need protection for the economic development of the country.

(ii) In view of the *de facto* protection enjoyed by the industries in India today, is it not desirable to bring them, including the deprotected industries, within the purview of the Tariff Commission?

(iii) Do you consider it desirable, in the interests of manufacturers and consumers, that in all cases where Government desire to regulate prices of industrial products, the prices should be fixed only after an inquiry by the Tariff Commission?

(iv) In view of the great expansion that is taking place in the public sector undertakings should not the review of their progress and efficiency be entrusted to the Tariff Commission?

(v) Do you consider cost reduction vigilance, that is, to watch the behaviour of prices and to see what steps should be taken by the Government or an industry to bring down costs of production in the industry, be entrusted to the Tariff Commission? If so, should the Commission have the power to conduct such inquiries *suo motu*?

(vi) Do you consider that examination of fixation of suitable customs and excise duties, where these are intended to mop up profits which accrue to the trade on account of shortage of supplies, should be entrusted to the Tariff Commission?

In addition to these specific queries, the respondents were also at liberty to suggest any other functions which in their opinion could appropriately be entrusted to the Commission.

100. We have considered this question very carefully and in the light of our review of the working of the Tariff Commission as also our understanding of the developmental requirements of our economy in respect of protection and price fixation. The fact has to be recognised that the Commission has, over the years, acquired valuable experience in conducting public inquiries into issues relating to specific industries covering such aspects as (i) examination of the existing and emerging cost structure, (ii) fixation of fair ex-works and/or selling prices, (iii) comparative studies of ex-works prices of domectic products *vis-a-vis* c.i.f. prices of comparable imported products, (iv) growth and development of infant industries under protection, and (v) consumers' interests in terms of quality, prices and availability of goods. The parties and organisations who tendered written and/or oral evidence before us have generally expressed the view that the Commission has been discharging these functions well and that it has evolved certain basic concepts generally applicable to all industries, while also ensuring a fair and objective treatment to all the interests concerned. We endorse this view and consider that any function recommended for the Commission should centre round the above-mentioned fields in which the Commission has specialised and built up its own expertise. It is in the light of this basic approach that we give below our recommendations regarding the functions that could appropriately be entrusted to the Commission.

Protection to industries

101. In spite of the fact that restrictions on imports arising out of foreign exchange difficulties and other related factors have reduced the effectiveness of tariff protection in India, we are, of the opinion that import restrictions are only short-term measures and cannot be considered to be a long-term substitute for tariff protection as an instrument for the promotion of industrial growth. In the first place, the tariff protection granted to an industry on the recommendations of the Tariff Commission discriminates between deserving and undeserving claimants. Secondly, the degree of protection required by an individual industry can be assessed only through an objective inquiry. Thirdly, it affords an assurance to the protected industry that the benefits enjoyed by it would be available for a defined period and not normally be withdrawn without consulting the Commission. Fourthly, a well integrated programme of development of a protected industry is made possible through the ancillary recommendations of the Commission, as has been already illustrated in our review of the working of the Commission in Chapter II. Further, the Commission tries to safeguard the interests of consumers by suggesting to the manufacturers measures for improving the quality of their products and to introduce standardisation, wherever necessary, and more particularly by keeping a continuous watch over the prices of the products of protected industries. It is obvious that none of these benefits are likely to accrue, certainly not automatically, from the indiscriminatory protection resulting from import and exchange restrictions. We, therefore, do not envisage any modifications in the present policy regarding protection embodied in Sections 11 to 15 of the Tariff Commission Act. Our

recommendation is that the Commission should continue to be responsible for examining the cases for grant of protection as well as for the continuance or modification of protection, as it has been doing hitherto.

Review of deprotected industries as well as industries enjoying *de facto* protection.

102. When once an industry is deprotected, it ceases to be within the purview of the Commission and leads to the discontinuance of the Commission's watch over its progress and development. This is primarily on account of the limitations imposed by the present Act, wherein the Commission is empowered to review protected industries only. Besides such deprotected industries, there are a large number of industries in India which have come into being under the shelter of *de facto* protection resulting from foreign exchange shortage, import controls and high revenue duties While both the deprotected and *de facto* protected industries enjoy the benegts of a shelter market, they are not subject to any periodical scrutiny by the Tariff Commission. This, as explained earlier, not only weakens the effectiveness of tariff policy for protection. but also gives rise to a mushroom growth of industries without any cost consciousness, thereby adversely affecting the consumers' interest. It is, therefore, imperative that proper examination of costs and prices of such indirectly protected industries is undertaken. Since the number of *de facto* protected and deprotected industries is very large, it may not be possible for the Commission itself to review all such industries. We would recommend therefore that a suitable Government agency should be required to look into the cost and price aspects of these industries on a regular and continuous basis. However, it is always open to Government to refer to the Commission such of those industries as in their opinion require a detailed examination by the Commission on the lines mentioned in paragraphs 95 and 96.

Suo motu powers of the Commission.

103. While reviewing the working of the Commission, we also examined the *suo motu* powers of the Commission which are stipulated under Section 13 of the Tariff Commission Act. According to the provisions of Section 13, the Commission, may on its own motion inquire into and report to the Central Government, on any of the matters referred to under clauses (b), (c), (d) and (e) of Section 11 and clauses (a), (b) and (c) of Section 12 of the Tariff Commission Act. We find that the Commission has exercised its *suo motu* powers mostly under Section 11(e) of the Act, under which it periodically reviewed the working of protected industries. During these periodic *suo motu* inquiries, the Commission has been examining all aspects of protected industries including those mentioned under Section 11(b), 11(c), 11(d) and 12(c). However, it has not undertaken any *suo motu* inquiry specifically on the subjects mentioned under these clauses; nor has it undertaken any *suo motu* inquiry on the subjects specified under Section 12(a) and 12(b). Even Government have not referred any such matters to the Commission for inquiry.

Prima facie, therefore, these statutory provisions appear to have been inoperative.

104. We have already stated earlier that by undertaking *suo motu* inquiries into protected industries, the Commission has been able to keep a close watch over their problems and progress These inquiries have had a very healthy effect on the growth of protected industries. We are, therefore of the view that the Commission should retain its *suo motu* powers to examine periodically the question of continuance or modification of protection as stated under Section 11(e) of the Tariff Commission Act. For safeguarding the interests of the consumers, we feel that the Commission should continue to have *suo motu* powers to examine at its discretion any complaint from an individual consumer or a consumers' association or a consuming industry regarding the price, quality and availability of the products of any protected industry. We consider that these two *suo motu* powers vested is the Commission under Secion 13 of the Act referred to above should continue. We are of the view that the other *suo motu* powers, though not exercised so far, should also continue, as changing economic circumstances may call for their use in the future.

Reference of all price cases to the Tariff Commission.

105. Section 12(d) of the Tariff Commission Act empowers the Commission to undertake price inquiries on a reference from Government. The Commission has undertaken several price inquiries in the past, a review of which has already been given in paragraphs 47 and 48. It may be pointed out that in connection with the Commission's protection inquiries, certain broad guiding principles governing cost studies and determination of prices are statutorily laid down under Section 14 of the Act. These principles have also been generally applied by the Commission to its price inquiries. Cost studies and price determination may, therefore, rightly be considered as one of the specialised functions of the Commission. Indeed, it is our considered view that this function will increasingly become more important in the context of our planned development. We find, however, that Government have also appointed, from time to time, *ad hoc* Committees to inquire into the prices of certain industrial products. Examples are the Bhoothalingam Committee on Coal prices (1958), the Damle Committee on Oil prices (1961), the Talukdar Committee on Oil prices (1964) and the Sen Commission on Sugar Prices (1964). Most of the terms of reference of these Committees were similar to those given to the Tariff Commission, in regard to the price inquiries they were entrusted with. We wonder if it was quite necessary for Government to appoint such *ad hoc* Committees when they could have taken advantage of the machinery of the Tariff Commission which, incidentally, has this work as also one of its statutory functions. Every *ad hoc* Committee is bound to have its own individual approach, resulting in varying attitudes and treatment of different industries, whereas inquiries by the Tariff Commission would ensure uniform treatment to all industries alike. The Commission has, over the years, accumulated vast experience in costing and evolved certain basic principles and concepts.

These concepts are constantly examined and reviewed with the changes in economic situation in the country. Further, in conducting its inquiries the Commission examines all aspects and problems of the industry, namely, capacity, production, future expansion, raw material requirements, domestic demand, imports, export potentialities, etc. before making its recommendations. Besides, the Commission holds a public inquiry where all interests concerned, including consumers, are represented and a free exchange of views takes place on the various issues involved in an inquiry. We therefore consider the Commission to be the most appropriate body to undertake price investigations and recommend that whenever Government desire to impose statutory control over prices of industrial products and non-agricultural raw materials, they should refer all such cases to the Commission for inquiry and report. However, there might be cases where certain circumstances affecting cost of production have changed after the Commission submitted its reports. In such cases Government may revise the prices after informal consultations with the Chairman of the Commission. Further, if circumstances of any particular case require immediate fixation of prices, Government may fix an interim price by an executive order subject to a review by the Commission. In any case, price inquiries should not be referred to *ad hoc* Committees, but should be entrusted to the Tariff Commission, though there can always be room for flexibility in the actual price decision on the lines indicated earlier in this paragraph.

106. As regards methodology and approach for price fixation, we are generally in agreement with the procedure practice followed so far by the Commission. However, we have offered our comments on certain accounting concepts namely contingency allowance and escalation clause in paragraph 63 which should be examined further by the Commission. A significant departure from the existing practice that we would like to recommend relates to the need for a periodic review of the industries, prices of whose products are fixed by Government on the recommendations of the Commission. The Commission has been following such a course in regard to protected industries and as mentioned earlier, this has had a healthy effect on their growth. We are of the opinion that a similar watch by the Commission over price controlled industries would not only safeguard the interests of consumers but also prove beneficial to the manufacturers. The data collected could also help the Commission to undertake a quick reappraisal of selling prices in such industries, if necessary. It must be added that it is not our suggestion that the Commission should be entrusted with any police work relating to the administration of prices as this is an executive function of Government and cannot be appropriately undertaken by a semi-judicial body like the Tariff Commission. We, however, feel that, as in the case of tariff protection, in the case of price fixation also, the aim should be not only to safeguard the interests of consumers in a period of shortage, but also to make recommendation that will make for an eventual elimination of this shortage and prepare for the time when price fixation would have become superfluous. While the decision of the level at which prices are to be fixed will naturally pertain to a defined period, the flexibility needed for changing conditions can be secured by the close and continuous watching over industries to ascertain whether

the assumptions behind price fixation continue to nold good and to see that industrial growth does not suffer nor industrial profits fluctuate abnormally. We, therefore, recommend that the Commission should be vested with *suo motu* powers enabling it to review such industries as the prices of which are statutorily controlled by Government after reference to the Commission.

107. After a careful appraisal of the present and prospective organisational set up of the Commission, we have come to the conclusion that it is not advisable at present to entrust to the Commission any functions other than those discussed above. We have come to this conclusion in spite of many suggestions that we have received or considered on our own for the enlargement of its functions, such as the review of *de-facto* and deprotected industries, review of public undertakings, cost reduction vigilance, fixation of suitable customs and excise duties to mop up excess profits, review of export incentive schemes, review of railway freight structure, import substitution studies, fixation of tariff values, etc. This is not because we do not recognise either the competence of the Commission or the great esteem and confidence it enjoys from all sections of the public. In fact, we have been very much impressed by the practical unanimity with which all persons and institutions who either appeared before us or submitted written memoranda expressed their full confidence in the impartiality and integrity of the Commission. We need hardly add that we fully share this view in the light of our own inquiry into its working. Nevertheless, we are not in favour of giving the Commission any additional functions of the type suggested or any other functions. This is because of the administrative and organisational problem involved in entrusting one body with all these functions. The Tariff Commission is a compact body with a limited staff which has been functioning efficiently in discharging its present functions. Any extensive enlargement of its functions is bound to make it unwieldy and reduce its efficiency and affect the high status it has acquired in public estimation. We are therefore not in favour of enlarging its present functions beyond what we have recommended in respect of price inquiries.

108. While we do not favour giving the Tariff Commission the additional responsibilities enumerated in the earlier part of the previous paragraph, we think it would be useful to discuss some of the issues emerging from these suggestions with a view to identifying the pressing problems relating to industrial development and planning which are closely interlinked with our tariff policy and protection. It is of course for other appropriate Government agencies to examine them further and take necessary action.

Examination of Export Incentive Schemes

109. At present, the Ministry of Commerce, with the assistance of various institutions and organisations, like the Board of Trade, the Export Import Advisory Councils, Export Promotion Councils, the Commodity Board, etc., formulate various export promotion measures and gets them implemented. The official arrangements for export promotion and assistance are periodically published in the handouts on Export Promotion re-

leased by the Ministry of Commerce. These official agencies have no doubt played a useful role in encouraging exports of certain commodities, but no detailed and systematic studies appear to have been undertaking into such aspects as comparative cost of indigenous products *vis-a-vis* their imported counterparts, extent of competitive disadvantage suffered by Indian products, excess of domestic supply over demand etc. We understand that Government have recently appointed a Committee of experts to go into various aspects of exports promotion. Government may, however, find it useful to utilise the expertise and quasi-judicial nature of the Commission to thoroughly investigate specific problems of an export industry.

Review of public sector undertakings

110. Since investments in public sector undertakings have substantially been stepped up in recent times, a need for reviewing and scrutinising the working operations of public sector undertakings has been increasingly felt in our country. A systematic scrutiny would enable the public to form a correct judgement on managerial and operational efficiency of public sector undertakings. We are aware that public sector undertakings are at present subject to Parliamentary control; besides, they are being regularly reviewed by two high powered agencies, namely, the Parliamentary Committee on Public Undertakings and the Bureau of Public Enterprises. The functions of the Parliamentary Committee on Public Undertakings, which was initially set up in May 1964 and which has been functioning as a Standing Parliamentary Committee since December, 1965, are quite extensive and *inter alia* cover:—examination of reports and accounts of public undertakings including reports, if any, of the Comptroller and Auditor General, and assessment of the managerial and operational efficiency of public undertakings. The Bureau of Public Enterprises, which was set up in March 1965 in the Union Ministry of Finance is required to deal with matters of general interest like organisational patterns, methods of management, personnel policies, collaboration agreements, training programmes, project planning, economic, social and financial policies, etc., of public undertakings and to explore all avenues of economy by scrutinising elements of capital costs of public sector projects as also to devise steps for improving the productivity and profitability of such undertakings. It will, therefore, be clear that the functions of these two—one legislative and the other official—agencies are quite extensive and on the face of it, the present arrangements for reviewing public sector undertakings appear to be adequate. The Commission should, however, continue to be empowered to review any public sector undertaking in an industry which is being inquired into either for protection or for price fixation and in this respect, there is no justification for their being treated differently from other units in the private sector.

Fixation of suitable custom and excise duties intended to mop up excessive trade profits

111. The Ministry of Finance at present fixes rates of customs and excise duties primarily from the budgetary point of view. Besides the Revenue Department of the Ministry of Finance, there also exists a separate Tax Research Unit and it is appropriate that these two departments

of the Ministry of Finance, while reviewing and analysing other aspects governing fixation of customs and excise duties, should also keep in view the protection policy pursued by the Government on the recommendations of the Commission from time to time. If necessary, they may consult the Chairman of the Commission before fixing the rates of duties on protected or price controlled commodities. But we are not in favour of entrusting the Commission with the function of recommending rates of customs and excise duties for budget purposes.

Cost reduction vigilance

112. Cost reduction vigilance studies involve detailed investigations of many problems such as optimum use of plants and machinery, proper allocation of resources, optimum level of inventory, laying down norms of performance standards in terms of man-power utilisation, material utilisation, as well as machine utilisation, etc. These problems are generally tackled through "work study" and "operational research" methods requiring technical experts from many fields. The National Productivity Council which had undertaken such studies is understood to have been assisted by about a dozen experts working from a period of six months to 1½ years on each project. If, therefore, the Commission is entrusted with the work of cost reduction vigilance, its present technical and costing staff of two Technical Directors and a few Cost Account Officers would prove to be far below the actual requirements and would have to be substantially strengthened. However, the Commission is a semi-judicial body and it is not appropriate to entrust it with any executive function such as is implied in cost reduction vigilance. We, therefore, do not think it desirable to entrust the Commission with the work relating to cost reduction vigilance. However, cost reduction vigilance studies assume considerable importance in an economy ridden with inflationary pressures such as are being witnessed in our country today. We are therefore, of the opinion that such studies may be attempted by an appropriate agency as an integral part of the Government's watch on prices.

113. The Tariff Revision Committee has already looked into several aspects relating to Indian Custom Tariffs; the question of import substitution is already under examination by another Committee appointed by the Government of India. We therefore, refrain from making any specific suggestions in these regards. We may, of course, point out that some of the relevant aspects regarding: (a) import substitution; (b) under-utilisation of installed capacities; (c) industrial licensing policy, etc., are being reviewed by the Commission in respect of industries inquired into by it and the Commission's findings on such issues form a part of its reports. It is our considered view that Government authorities concerned would do well to utilise such processed information available with the Commission. Further, we would suggest that the Government should advise its various departments to keep the Commission informed on matters relating to any industry which the Commission has inquired into or other closely allied industries. Apart from this suggestion we do not wish to recommend any specific arrangements in regard to any of the additional functions

reviewed in the preceding paragraph. We anticipate that the Tariff Commission will be fully occupied if, as recommended by us earlier, all protection and price cases are referred to it and the Commission has to keep a close and continuous watch over their progress after Government have taken decisions on protection or price, as the case may be.

CHAPTER V

CHANGES IN THE CONSTITUTION OF THE TARIFF COMMISSION AND AMENDMENTS TO THE TARIFF COMMISSION ACT.

Constitution of the Commission.

114. During the course of our inquiry, various suggestions have been made regarding the membership of the Commission. Some have expressed the view that the Members should be persons with business experience and background. Some others have stated that there should be more technical experts on the personnel of the Commission. Another view has been that the Members of the Commission should be non-officials and that their status should be raised. It has been further suggested that the strength of the Commission should be raised from 5 to 7 Members and that the term of appointment of the Members should be 5 years as against 3 at present. We have examined all these suggestions carefully. Considering the highly specialised nature of the Commission's work, we are of the opinion that the Commission should be a compact body and its membership should not exceed 5. Additional Members, not exceeding 2, may be appointed, if necessary, for special inquiries and for specific periods for which there is already a provision in clause 3 of the present Act. We are not in favour of the appointment of part-time members. If special expertise not available in the Commission's personnel is required, it should be had in the form of consultants or advisers and not part-time members. As regards qualifications of the Members, the competence and suitability of selected persons should be the main criteria and there should be no discrimination between officials and non-officials in the matter of appointment. In these times of swift occupational mobility, the line of demarcation between an official and a non-official is very thin. Further, since the Commission has to deal with a large number of industrial establishments and has to probe into the cost of production of their products, it is desirable that one of the Members should be an expert in cost accountancy and another, a person with wide managerial experience. As regards the tenure of the Members, we do not consider any change is called for, as the present system is working satisfactorily. However, in order to provide a better status to the Chairman and Members of the Commission we would recommend that their ranking in the warrant of precedence issued by the Government of India may be raised. It is also desirable that the office of the Tariff Commission be upgraded from a subordinate office to an attached office in order to deal with some of its existing difficulties in its relation to Government and also raise its administrative efficiency.

Changes in the Tariff Commission Act.

115. According to the clauses (b) and (d) of our terms of reference we have to "recommend changes in the constitution and functions of the

Commission" and "to suggest amendments to the existing Act in order to effect improvements". In the preceding Chapter we have discussed the functions that should be entrusted to the Commission and made certain recommendations in this regard. If these recommendations as well as other suggestions regarding the functions and the constitution of the Commission are accepted, relevant changes will have to be made in the present Act. The broad lines on which such amendments may be necessary are indicated below:

Amendments and additions suggested to the present Tariff Commission Act

Provisions of the present Tariff Commission Act.	*Amendments or additions suggested.*
1. Chapter II Section 4	**1. Chapter II Section 4**
Qualifications for membership of the Commission:—	Qualification for membership of the Commission:—
The persons to be appointed as members of the Commission shall be men of ability and standing who have shown capacity in dealing with problems relating to commerce or industry or in administration or who have special knowledge in any matter as renders them suitable for appointment on the Commission.	The persons to be appointed as members of the Commission shall be men of ability and standing who have shown capacity in dealing with problems relating to commerce or industry or in administration or who have special knowledge in any matter including cost accountancy and industrial management as renders themsuitable for appointment on the Commission.
2. Chapter III Section 11	**2. Chapter III Section 11**
Reference of matters relating to protection of industries generally to the Commission:—	Reference of matters relating to protection, of industries generally to the Commission:—
The Central Government may refer to the Commission for inquiry and report any matter requiring in its opinion: (a) the grant of protection (b) .... (c) .... (d) .... (e)	(1) The Central Government shall refer to the Commission for inquiry and report any matter relating to grant of protection (whether by the grant of subsidies or the levy of protective duties or in any other suitable form) for the encouragement of any industry in India (including any industry which has not started production but which is likely to do so if granted suitable protection). (2) The Central Government may refer to the Commission for inquiry and report any matter requiring in its opinion: (a) an increase or decrease in the duties on customs or other duties in relation to any industry for protection thereof. (b) action to be taken in relation to the dumping of goods in the marke occasioned by excessive import or otherwise;

Provision of the present Tariff Commission Act	*Amendments or additions suggested*
	(c) action to be taken where an industry is taking undue advantage of the tariff protection granted to it, particularly with reference to whether the protected industry is— (i) charging unnecessarily high prices for its goods, or (ii) acting or omitting to act in a manner which results in high prices being charged to consumers through limitation of quantity, deterioration in quality or inflation of cost of production and the like, or (iii) acting in restraint of trade to the detriment of the public; (d) further action to be taken in relation to the protection granted to an industry with a view to its increase, decrease, modification or abolition according to the circumstances of the case.
3. Chapter III Section 12	**3. Chapter III Section 12**
Reference to the Commission of additional matters arising out of protection:—The Central Government may also refer to the Commission for inquiry and report any matter relating to:	Reference to the Commission of additional matters arising out of protection:—The Central Government may also refer to the Commission for inquiry and report any matter relating to:— After clause (d) of the present Act the following new clause (e) may be added: (e) examination of the problems of export industries (i.e. industries manufacturing articles for export) or other allied matters.
4. Chapter III Section 13	**4. Chapter III Section 13**
Power of the Commission *suo motu* to make inquiries:—The Commission may on its own motion inquire into and report to the Central Government on any of the matters referred to in clauses (b), (c), (d) and (e) of Section 11, or in clauses (a), (b) and (c) of Section 12.	Power of the Commission *suo motu* to make inquiries:—The Commission may on its own motion inquire into and report to the Central Government on any of the matters referred to in clauses 2(a), 2(b), 2(c) and 2(d) of Section 11 or in clauses (a), (b) and (c) of Section 12.

Provision of the present Tariff Commission Act.	*Amendments or additions suggested*
5. Chapter III Section 15 Duties of the Commission:—It shall be the duty of the Commission, at such intervals as may be prescribed:—	**5. Chapter III Section 15** Duties of the Commission:—It shall be the duty of the Commission, at such intervals as may be prescribed:— After the clause (b) of the existing Act the following new clause (c) may be added: (c) To investigate into the working of industries whose prices have been controlled by Government on the recommendation of the Tariff Commission with particular reference to:— (i) the cost of production of the commodity; (ii) the scale of output of the industry; (iii) the quality and availability of the commodity; (iv) the prospects of future expansion of the industry, and the possibilities of economy in the cost of production. (v) financial position of the industry.

CHAPTER VI

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

116. Our conclusions and recommendations are summarised as under:—

CHAPTER I

(1) The essence of the role of the Tariff Commission lies in its selectivity, in its picking of the right industries, in its recommending the correct measures which will enable the industries to grow with the minimum burden on the consumers and in its ensuring that the industries grow up strong and vigorous and become mature enough to face the world on their own.

[Paragraph 9.]

CHAPTER II

(2) The Committee would like to stress the need for sticking to the normal procedure before any decisions are taken by Government to impose protective duties.

[Paragraph 21.]

(3) The Commission has played a very useful role in promoting the healthy growth of industries in India.

[Paragraph 44.]

(4) Each industry has its own problems. It is not possible to fix a uniform rate of return for all industries and the rate is bound to vary from industry to industry, depending on its nature, the risks involved etc., the industry's need for funds, and from period to period, depending on the current bank rate, the capital market etc. Under the circumstances, attention has to be paid to pragmatic considerations in determining the rate of return.

[Paragraph 56.]

(5) While calculating depreciation the Tariff Commission may deviate from Income-Tax practice where actual working practice justifies such a course.

[Paragraph 59.]

(6) Each claim of rehabilitation allowance should be examined on its own merits in the light of the principles laid down by the Commission in 1961 in regard to the fair price payable to cement producers.

[Paragraph 61]

(7) Since our economy is passing through a phase of inflationary pressures provision for contingency allowance should be avoided while

fixing prices and the industry should be able to absorb small increases in costs. However, an escalation clause is in order in suitable cases for any major increase in costs which is beyond the control of the management.

[Paragraph 63]

(8) If the Commission is to function effectively and command respest from industry, a healthy convention should be built up whereby the recommendations of the Commsson are usually accepted by Government, departures therefrom being made only under exceptional circumstances.

[Paragraph 71.]

(9) Units under protection and price control should maintain their cost data in a scientific way. If they are not able to do so, arrangements should be made for the Commission to assist them in this process. For implementing this scheme costing staff of the Commission may be augmented to the extent necessary.

[Paragraph 76.]

(10) In their own interest the industries and other concerned parties should extend their full co-operation to the Commission to enable it to function smoothly. It is also worth considering whether some legal obligation should not be imposed on the producing units concerned for ensuring such co-operation.

[Paragraph 78.]

(11) Reports of the Commission on price inquiries should normally be completed within six months from the date of reference. In exceptional cases the period may be extended to ten months. The Committee is not in favour of the Commission submitting interim reports on a matter like price fixation. To prove the Committee's recommendation workable in practice, it is also necessary that any additional costing or other supporting staff that the Commission may require in connection with any price inquiry should be made available to it promptly.

[Paragraph 79.]

(12) Government should normally announce their decision on the Commission's reports within the stipulated period provided in the Tariff Commission Act, that is, three months.

[Paragraph 80.]

CHAPTER III

(13) As an initial follow-up of the recommendations of the Committee's Interim Report, Government asked the Commission to examine on a sample basis the extent of protection available to two deprotected industries. The Committee feels that it would be useful to have similar quick examination made of other deprotected industries which have been suggested for such inquiry in its Interim Report.

[Paragraphs 92 and 93.]

(14) In view of recent relaxations in imports and other changes in the economic situation in the country, tariffs have again acquired importance as an instrument of plan policy.

[Paragraph 94.]

(15) Since the benefits of devaluation, in terms of price-competition with imports, accrue also to other industries which have so far not been subjected to a Tariff Commission inquiry, it is necessary that Government may now initiate early action on the preliminary scrutiny of these industries as contemplated in the Committee's Interim Report. On the basis of such scrutiny Government may refer selected industries to the Tariff Commission for examining their case for protection.

[Paragraphs 95 and 96.]

(16) The protection inquiries will enable both the Government and industrial units to identify the scope for adopting cost reduction policies in respect of current production as well as of future expansion. The discipline imposed as a result of either the initial or the review inquiry by the Commission should itself be of assistance in preventing *ad hoc* or indiscriminate raising of costs.

[Paragraph 98.]

CHAPTER IV

(17) The Commission should continue to be responsible for examining the cases for grant of protection as well as for the continuance or modification of protection as it has been doing hitherto. The present policy regarding protection embodied in Sections 11 to 15 of the Tariff Commission Act needs no modification.

[Paragraph 101.]

(18) A suitable Government agency other than the Tariff Commission should be required to look into cost and price aspects of *de facto* and deprotected industries on a regular and continuous basis. However, it is already open to Government to refer to the Commission such of these industries as in their opinion require a detailed examination by the Commission on the lines mentioned in paragraphs 95 and 96.

[Paragraph 102.]

(19) All *suo motu* powers vested in the Commission under Section 13 of the Tariff Commission Act should continue.

[Paragraph 104.]

(20) Whenever Government desire to impose statutory control over prices of industdial products and non-agricultural raw materials, they should refer all such cases to the Tariff Commission for inquiry and report. However where certain circumstances affecting cost of production have changed after the Commission submitted its reports, Government may revise the prices after informal consultations with the Chairman of the Commission. Further, if circumstances of any particular case require

immediate fixation of prices, Government may fix an interim price by an executive order subject to a review by the Commission. In any case, price inquiries should not be referred to *ad hoc* Committees.

[Paragraph 105.]

(21) The Committee is generally in agreement with the procedure and practice followed by the Commission for price fixation.

[Paragraph 106.]

(22) The Commission should be vested with *suo motu* powers enabling it to review industries, prices of the products of which are statutorily controlled by Government after reference to the Commission.

[Paragraph 106.]

(23) Government may find it useful to utilise the expertise and quasi-judicial nature of the Commission to thoroughly investigate specific problems of an export industry.

[Paragraph 109.]

(24) The present arrangements of reviewing public sector undertakings by the Parliamentary Committee on Public Undertakings and the Bureau of Public Enterprises appear to be adequate. However, the Commission should continue to be empowered to review any public sector undertaking if it is part of an industry which is being inquired into either for protection or for price fixation.

[Paragraph 110.]

(25) It is appropriate that the Ministry of Finance while reviewing and analysing other aspects governing fixation of customs and excise duties, should keep in view the protection policy pursued by Government on the recommendations of the Commission from time to time. If necessary, they may consult the Chairman of the Commission before fixing the rates of duties on protected and price controlled commodities.

[Paragraph 111.]

(26) Cost reduction vigilance studies assume considerable importance in an economy ridden with inflationary pressures such as are being witnessed in our country today. The Committee is of the opinion that such studies may be attempted by an appropriate agency other than the Tariff Commission as an integral part of Government's watch over prices.

[Paragraph 112.]

(27) Government should advise its various departments to keep the Commission informed on matters relating to any industry which the Commission has inquired into or other closely allied industries.

[Paragraph 113.]

(28) The Committee anticipates that the Commission will be fully occupied if all protection and price cases are referred to it and the Commission keeps a close and continuous watch over their progress after Government have taken decisions on protection or price, as the case may be

The Committee is not therefore in favour of any further expansion in the functions of the Commission.

[Paragraph 113.]

CHAPTER V

(29) Considering the highly specialised nature of the Commission's work the Committee is of the opinion that the Tariff Commission should be a compact body and its membership should not exceed five. Additional Members not exceeding two may be appointed, if necessary, for special inquiries and for specific period for which there is already a provision in Clause 3 of the present Tariff Commission Act. The Committee is not in favour of the appointment of part time members on the Commission.

[Paragraph 114.]

(30) It is desirable that one of the Members of the Tariff Commission should be an expert in cost accountancy and another, a person with wide managerial experience.

[Paragraph 114.]

(31) The ranking of the Chairman and Members of the Tariff Commission in the warrant of precedence issued by the Government of India may be raised. It is desirable that the office of the Tariff Commission be upgraded from a subordinate office to an attached office in order to increase its administrative efficiency.

[Paragraph 114.]

(32) If the recommendations as well as other suggestions regarding the functions and the constitution of the Tariff Commission are accepted relevant changes will have to be made in the present Tariff Commission Act. The broad lines on which amendments may be made are indicated in paragraph 115.

[Paragraph 115.]

ACKNOWLEDGEMENT

117. We cannot conclude the report without acknowledgement of the help we have received from numerous individuals, organisations and Government Departments by way of memoranda, oral evidence and other documentation. We are particularly indebted to the ex-Members and present Members of the Ad-Hoc Tariff Boards and the Tariff Commission for sharing with us their valuable experience of the inquiries relating to tariff protection and price fixation. Above all, we must express our sense of appreciation and indebtedness to our energetic and learned Secretary, Dr. P. V. Gunishastri, who has put in a great deal of intensive work on the items referred to us and thus made our task comparatively easy. We have also to record our appreciation of the hard work put in by Shri Gyan Prakash and other members of the staff of the Commission in enabling the Secretary to service the Committee as well as he has done.

V. K. R. V. Rao,
Chairman.

M. P. Pai,
Member.

D. K. Rangnekar,
Member.

D. T. Lakdawala,
Member.

H. N. Ray
Member.

K. S. Krishnaswamy.*
Member.

S. Venkatesan,
Member.

P. V. Gunishastri,
Secretary.

New Delhi,
Dated, 17th August, 1967.

*Signature authorised by a cable by Dr. K. S. Krishnaswamy, who is now in Washington.

APPENDICES

APPENDIX I

(*Vide* Introductory)

MINISTRY OF COMMERCE

RESOLUTION

New Delhi, the 19th February, 1966.

No. 26(1)-Tar./63.—The question of constituting a Committee of Inquiry to review the working of the Tariff Commission, Bombay, has been engaging the attention of the Government of India for some time. The Government of India have accordingly decided to set up a Committee consisting of the following persons to conduct a review and make recommendations to the Government on the subject:—

Chairman

1. Dr. V. K. R. V. Rao, Member, Planning Commission, New Delhi.

Members

2. Shri M. P. Pai, Chairman, Tariff Commission, Bombay.
3. Dr. D. K. Rangnekar, Special Representative, Economic Times, New Delhi.
4. Dr. D. T. Lakdawala, Department of Economics, University of Bombay, Bombay.
5. Shri H. N. Ray, Additional Secretary, Ministry of Finance, New Delhi.
6. Dr. K. S. Krishnaswamy, Economic Adviser, Planning Commission, New Delhi.

Member-Secretary

7. Shri P. K. J. Menon, Joint Secretary, Ministry of Commerce, New Delhi.

2. The terms of reference of the Committee will be as follows :—

(a) To review the working of the Tariff Commission since its inception in 1952;

(b) to suggest amendments to the existing Act in order to effect improvements;

(c) to review the policy of protection to industries taking into account the present restrictions on imports; and

(d) to examine and suggest what other functions can be entrusted to the Tariff Commission having regard to the requirements of development planning in the country and to recommend changes in the Constitution and functions of the Commission.

3. The Committee will submit its report to Government within six months.

4. This cancels all previous Notifications on this subject.

ORDER

Ordered that the Resolution be published in the Gazette of India for general information and copy thereof communicated to all concerned.

B. KRISHNAMURTHY, Under Secy.

सत्यमेव जयते

APPENDIX II

(*Vide* Introductory)

Interim Report of the Tariff Commission Review Committee (*July* 1966)

The Committee of Inquiry to review the working of the Tariff Commission was set up by the Government of India in January 1966 with the following terms of reference:—

(a) to review the working of the Tariff Commission since its inception in 1952;

(b) to suggest amendments to the existing Act in order to effect improvements;

(c) to review the policy of protection to industries taking into account the present restrictions on imports;

(d) to examine and suggest what other functions can be entrusted to the Tariff Commission having regard to the requirements of development planning in the country and to recommend changes in the constitution and functions of the Commission.

Since its inception, the Committee has met three times and has initiated with the help of the Tariff Commission some of studies on all of its terms of reference. The Committee has also worked out the procedures to be followed by it in the conduct of its inquiry.

2. Under item (c) of its terms of reference, the Committee is required "to review the policy of protection to industries, taking into account the present restrictions on imports". In the normal course of things, the Committee would have given its conclusions and recommendations in respect of this item in the final report along with the observations on the other terms of reference. However, after the change in the par value of the Rupee, announced on June 6, 1966, and the changes in import policy announced in the later weeks, the Committee feels that the situation has changed sufficiently to warrant a preliminary report on this particular term of reference to be submitted by it for immediate consideration by the Government of India. Accordingly, this brief report is being submitted *ad interim* the Committee will, however, cover the questions relating to the policy of protection, in the context of development planning, more fully in its final report.

3. Prior to the change in the par value of the Rupee, and the changes in import licensing policy introduced in June 1966, a measure of protection to Indian industries was inherent in the scheme of quantitative restriction of imports necessitated by the scarcity of foreign exchange. The policy of licensing was geared, in principle, to limiting imports in such a manner as to avoid the use of foreign exchange for procurement of commodities which were being manufactured indigenously. In addition, there had been, over the years, continuing increased in import duties levied by the Government partly for protective purposes and partly for revenue purposes. In the last two years, changes were made in the import tariff for raising the cost

of imports generally to domestic buyers. This was done first in February 1965 when a regulatory duty of 10 per cent was imposed on all imports. In August 1965, the structure of import duties was again rationalised and, in the process, the average rate of duty per unit of import went up to about 55 per cent of the landed value of imports. At the time the Committee was set up, therefore, the protection available to Indian industries derived, on the one hand, from the quantitative restrictions on imports of different commodities and, on the other, from rates of duty levied on imports of different categories.

4. With the devaluation of the Rupee in June 1966, the landed cost of all imports went up by 57·6 per cent. This meant in effect a blanket protection to all Indian industries equivalent initially to the increase in the cost of imports arising from the change in par value. At the same time, the rates of import duty on the three main categories of machinery, industrial raw materials and consumer goods, were to some extent revised downwards. The combined effect of these changes has, however, been to increase the price of imports in rupee terms to a much higher level than before. Before devaluation, domestic manufacturers who were able to sell at anything between 40 and 75 per cent above the landed cost of foreign competitors, were protected by the customs tariff then existing. After devaluation, this range, within which domestic producers enjoy protection from foreign competition, has shifted upwards; taking the change in the par value and the adjustments in customs together, domestic producers can compete effectively with foreign suppliers even when their selling price is 85 to 100 per cent higher than the landed cost of foreign goods at pre-devaluation rates of exchange. While the degree of protection varies with the rates of import duty, the overall effect has been to make the protection available to many more producers than was the case prior to devaluation. However, as between industries, the effect on costs of production of different industries will also vary depending upon the import content of the goods produced.

5. This is a situation which, in the opinion of the Committee, affords undue protection in respect of some industries and not enough protection against foreign competition in respect of others. Many of the industries, which had been given protection of a certain measure, after examination by the Tariff Commission are now in a different position, since both the structure of domestic costs of production and of final cost of imports to domestic users have altered radically. The actual position in respect of different industries has become further obscured by the policy of liberal import licensing for actual users in 59 priority industries, by the changes in the schemes of import entitlements, export subsidies and so forth (which have a bearing on the relative costing of supplies to the domestic market by industries having an export component in their total sales).

6. It has not been possible for the Committee to examine in detail the variations in the element of protection enjoyed by different industries as a result of the modifications in policy mentioned above. However, an illustrative list of commodities, comparing the broad extent of protection as at present with the degree of protection afforded to them at an earlier stage on the basis of a Tariff Commission inquiry, is appended. This apparent change will in certain cases be altered by the easing of quantitative restrictions announced after devaluation. Because of the freer imports of industrial raw materials, it will be possible for indigenous producers of spare parts, components and so forth to enlarge their supplies, achieve larger utilisation of their capacity and improve their competitive position in the domestic market. But since the imports of spare parts and components have also been liberalized, the protection which they enjoyed under conditions of quantitative restrictions on the

imports of such commodities is no longer available to them. It is this combination of changes in policy which indicate the need for an appraisal of the real element of protection now available to Indian industries. There are, moreover, many newly established industries in respect of which a proper examination might indicate the need for further adjustments in import duties to afford them proper safeguards from foreign competition.

7. In the Committee's view, it is necessary to take immediate steps to enquire into the actual degree of protection enjoyed by different industries at present, with a view to determining the extent of over-protection or under-protection that obtains in respect of each of them. Where the evidence indicates that devaluation and the existing customs duties provide a measure of protection larger than the difference between production costs of domestic industry and the landed cost of competing imports, the additional element in customs duty serves revenue rather than protective requirements. It is not our purpose to question the legitimacy of such a revenue component in the import duties levied by Government; this is a matter which has to be deliberately considered and decided upon. But it is important to ensure that the incidence of revenue tariffs is not such as to distort the relative degrees of protection to which different industries may be entitled on developmental grounds. Since tariffs imposed for revenue purposes also have the effect of increasing the protection afforded to domestic industries, they have to be clearly identified. It will then be possible for Government to decide on countervailing steps of one sort or another which will accord with their general economic policy. Likewise, where the review of the existing situation indicates inadequate protection in respect of nascent and priority industries, it would be necessary for the Government to alter the relative tariff rates or adopt other measures of limiting foreign competition.

8. The Committee is of the view that these matters require to be examined with a measure of urgency so that the allocation of investments in the domestic economy is not adversely affected. The Committee recommends that the Tariff Commission should be asked by the Government immediately to undertake an assessment of the extent of protection available at present to (i) industries which continue to be "protected industries"; (ii) industries which in the recent past have been de-protected. The Committee's views in respect of other industries are indicated in paragraph 10.

9. The Committee, in consultation with the Tariff Commission, has examined the nature and volume of the work involved in the enquiries contemplated in the previous paragraph of this report relating to the industries which are either protected now or have been de-protected during the last two years. There are, at present, eight protected industries. Of these, the Tariff Commission is now reviewing the cases of three namely, automobiles, aluminium bare conductors and antimony and will, we understand, take into account the consequences flowing from devaluation of the rupee. Ten industries have been de-protected during the last two years. A fresh review of the present position of 15 industries is therefore necessary. For the purpose we have in view, it would not be necessary for the Commission to follow the elaborate procedure which it normally adopts. The quick examination could be based on the information collected by it at the last review, and such judgments on the likely trend of costs of raw materials, labour and so forth which it is able to form. The work relating to the 15 industries could therefore be undertaken by the Tariff Commission in addition to the four inquiries which it now has on hand without much strain; and this work should be capable of being completed well before the end of the year.

10. As regards nascent industries, however, a quick examination of the type mentioned above would not be possible. In these cases, the Committee is not in a position at this stage of its work to suggest a departure from the usual procedure followed by the Tariff Commission. This implies that references would have to be made to the Commission by Government only after a preliminary scrutiny, by a suitable executive agency, of the case for protection. The Committee wishes to draw the attention of the Government to the need for initiating these preliminary scrutinies quickly, in view of the importance of some of the newly established industries to the future growth of the economy on a self-reliant basis.

V. K. R. V. RAO,

Chairman

M. P. PAI,

Member

D. K. RANGNEKAR,

Member

D. T. LAKDAWALA,

Member

H. N. RAY,

Member

K. S. KRISHNASWAMY,

Member

P. V. GUNISHASTRI,

Secretary.

New Delhi, the 14th July 1966.

APPENDIX II

Vide-paragraph 6

Illustrative list of Estimates of the effect of Devaluation on various industries made by Tariff Commission.

Without a thorough re-examination, it is not possible to judge the effect of devaluation on the measures of protection recommended by the Commission for the various industries. We have, however, attempted roughly to assess the changes in a few cases by substituting the anticipated value of the imported raw materials taking into account the new rates of import duty imposed after devaluation. However, even in this attempt difficulties are faced in case of such raw materials which are purchased locally but which it is known to have been imported by the local seller or to have been made locally with imported raw materials. For example, Brass or Copper strips, rods, though purchased locally, are made with imported raw materials. In such cases only a very rough assessment is possible. In some cases it is not known exactly whether the locally purchased component is made out of imported materials or not. With such limitations, and ignoring the effect of imported spares and other consequential changes in values, the following figures should be taken with due reserve as mainly illustrative in nature:—

	Disadvantage shown in the report vis-a-vis imported article	Anticipated change in the disadvantage after devaluation
	1	2
1. 1966 *Report on Piston Assembly*		
(i) Perkins	13.61%	(—)23.34%
(ii) Fiat 1100	69.73%	17.66%
(iii) Willy's Jeep	54.31%	0.05%
(iv) Ambassador	55.49%	5.46%
(v) Dodge	98.01%	27.74%
(vi) Standard 10	32.02%	(—)14.35%
(vii) Lambretta	39.69%	(—) 2.12%
(viii) Vespa	31.23%	(—) 9.25%
2. 1964 *Report on Aluminium Industry*		
(i) Ingots	22.37%	(—)19.73%
(ii) Common Alloy Flat sheets	6.18%	(—)31.12%

	Disadvantage shown in the report vis-a-vis imported article	Anticipated change in the disadvantage after devaluation
	1	2
(iii) Mg. Alloy flat Sheets	10.85%	(—)28.32%
(iv) Sheared/Punched Circles	(—)18.34%	(—)46.92%
3. 1965 *Report on Non-Ferrous Metal Industry*		
(i) Brass rod 1/4" & 7 mm.	26.47%	(—)9.18%
(ii) Copper Tubes 2-1/2"×10 and 1-3/4"×10 SWG (excluding arsenical copper tubes) . .	32.68%	(—)6.25%
4. 1964 *Report on Dyestuff Industry*		
(i) Intermediates—2 Aminoanthra-quinone . .	42.9%	22.0%
(ii) Intermediates—Benzanthrone purified . . .	88.3%	37.5%
(iii) Intermediates—BON Acid	76.8%	28.6%
(iv) Azo Dyes—Congo Red	80.9%	21.1%
(v) Azo Dye Components—Napthols (weighted average)	29.4%	6.5%
(vi) Fast Colour Bases (weighted average) . . .	101.8%	43.9%
(vii) Sulphur Black Grain O. G.	(—)17.0%	(—)39.61%
5. 1965 *Report on Sparking Plugs*		
14 m.m.—TFS—50—3/8" reach	58.2%	10.9%
6. 1965 *Report on Sheet Glass*		
(i) Sheet glass 2 mm.	98.10%	46.27%
(ii) " 3 mm.	100.0%	36.98%
(iii) " 4 mm	82.91%	18.27%
(iv) " 4.8 mm.	64.42%	15.55%
(v) " 5.5 mm.	114.86%	44.58%
7. 1965 *Report on Ball Bearings* :		
(i) Ball Bearings upto 25 mm. bore diameter . .	114.4%	48.7%
(ii) Ball Bearings above 25 mm. bore diameter . .	215.7%	123.3%
(iii) Average for all ball bearings—(i) & (ii) . .	141.1%	68.5%
(iv) Adapter Bearings above 25 mm. bore diameter .	108.3%	43.7%
(v) Thrust Bearings—upto 25 mm. bore diameter .	122.4%	49.4%
(vi) Thrust Bearings—above 25 mm. bore diameter but upto 50 mm. bore diameter	131.8%	57.5%
(vii) Thrust Bearings—above 51 mm. bore diameter .	154.9%	75.2%
(viii) Average for all Thrust Bearings—(v), (vi) & (vii) .	133.0%	58.4%

	Disadvantage that would have resulted if pre-devaluation figures were taken	Disadvantage post-devaluation
	1	2
8. *A.A.C. & A. C. S. R.—Commissions Report for 1966 not yet finalised*		
(The following figures are based on only two of the three units costed)		
(i) A.A.C.—Rose	37.21%	(—)7.50%
(ii) A.A.C.—Iris	35.37%	(—)8.55%
(iii) A.A.C.—Pansy	35.64%	(—)8.45%
(iv) A.C.S.R.—Gopher	45.80%	(—)1.51%
(v) ,, —Weasel	47.06%	(+)0.04%
(vi) ,, —Ferret	46.91%	(—)0.35%
(vii) ,, —Raccoon	46.91%	(+)0.14%
(viii) ,, —Squirrel	40.05%	(—)3.11%
(ix) ,, —Mink	38.85%	(—)3.52%
(x) ,, —Dog	38.04%	(—)4.75%
(xi) ,, —Panther	53.93%	(+)3.76%
9. *Antimony—Commission's Report not yet finalised* :		
Star Metal	27.6%	(x) 9.5%

(—)= advantage

APPENDIX III

[*Vide* Introductory]

Questionnaire of the Tariff Commission Review Committee

1. (a) Do you consider that the Tariff Commission has worked satisfactorily in assisting the Government of India to settle a tariff policy adequate for the proper development of protected industries?

(b) If not, what are the shortcomings and in what way does the constitution or working of the Tariff Commission require improvement?

2. Do you consider that the procedure of investigations and public inquiry, as followed by the Tariff Commission, is satisfactory? If not, give your suggestions for improvement.

3. (a) Is protection to an industry, as an instrument of policy to further economic development, still necessary in the light of the restrictions for ban on imports due to foreign exchange difficulties and heavy import duties?

(b) If so, please state the reasons and indicate the type of industries which need protection for the economic development of the country.

4. (a) In view of the *de facto* protection enjoyed by the industries in India today, is it not desirable to bring them, including the de-protected industries, within the purview of the Tariff Commission?

(b) In view of the great expansion that is taking place in the public sector undertakings, should not the review of their progress and efficiency be entrusted to the Tariff Commission?

5. Do you consider that the Tariff Commission could be entrusted with functions other than those mentioned in Section 11—15 of the Tariff Commission Act, having regard to the requirements of development planning in the country? If so, please state the additional functions that could be entrusted to the Commission.

6. Do you consider it desirable, in the interests of manufacturers and consumers, that in all cases where Government desire to regulate prices of industrial products, the prices should be fixed only after an inquiry by the Tariff Commission?

7. (a) Has your Ministry/Department appointed *ad hoc* committee(s) to recommend fair selling prices of domestic products, other than agricultural commodities, since 1952? If so, please state the committee(s) so appointed, the year(s) of appointment, the terms of reference to the committee(s) and the action taken on the committees' recommendations.

To be answered by Mnistries or Government Departments.

(b) Was the report of the *ad hoc* committee placed before the Parliament?

(c) Can you indicate why these price inquiries were not entrusted to the Tariff Commission?

8. (a) Do you consider cost reduction vigilance *i.e.*, to watch the behaviour of prices and to see what steps should be taken by Government or an industry to bring down costs of production in that industry, be entrusted to the Tariff Commission?

   (b) Should the Commission have the power to conduct such inquiries *suo moto?*

9. Do you consider that examination of fixation of suitable customs and excise duties, where these are intended to mop up profits which accrue to the trade on account of shortage of supplies, should be entrusted to the Tariff Commission?

10. How does our Tariff Commission compare with the Tariff Commission or similar bodies in foreign countries, in regard to its constitution, functions, duties, powers etc.?

11. Do you consider the powers given to the Tariff Commission in Section 20 of the Tariff Commission Act are adequate to enable it to discharge its functions efficiently? If not, what additional powers would you suggest?

12. (a) In the light of your replies to the above questions, what consequestial changes in the constitution and functions of the Tariff Commission as well as the Tariff Commission Act would you suggest?

   (b) Does the Act also require other modifications than those covered above and if so, please suggest those amendments giving reasons therefor.

13. Any other suggestions that you might like to make within the scope of the terms of reference of the Committee, keeping in view the special requirements of planned economic development in India.

APPENDIX IV-A

[*Vide* Introductory]

List of individuals and organisations who replied to the Committee's questionnaire.

*Indicates those who offered no comments.

A. *Chambers of Commerce*

1. Porbandar Chamber of Commerce, Porbandar (Gujarat).
2. Maharashtra Chamber of Commerce, 12, Rampart Row, Fort, Bombay-1.
3. The Mahratta Chamber of Commerce, and Industries, Tilak Road, Poona-9.
*4. Mahavidarbha Chamber of Commerce and Industries, Byramji Town, Nagpur-1.
5. Federation of Indian Chamber of Commerce and Industry, Federation House, Delhi-1.
*6. Calicut Chamber of Commerce and Industry, Calicut.
7. The Madras Chamber of Commerce, Dare House, North Beach Road, Madras-1.
8. The Southern India Chamber of Commerce, Indian Chamber Buildings, Post Box No. 1208, Madras-1.
9. The Madura-Ramnad Chamber of Commerce, 90-92, Avanimoola Street, Madurai-1.
*10. Tuticorin Chamber of Commerce and Industry, South Beach Road, Tuticorin-1.
*11. The Virudhunagar Chamber of Commerce and Industry, Virudhunagar.
12. Northern India Chamber of Commerce and Industry, 1296-B, Sector 18-C, Chandigarh.
13. Rajasthan Chamber of Commerce and Industry, Johari Bazar, Jaipur.
14. Merchants' Chamber of Uttar Pradesh, 14/38 Civil Lines, Kanpur.
15. The Associated Chamber of Commerce & Industry of India, Royal Exchange, 6, Netaji Subhas Road, Calcutta-1.
16. Bengal National Chamber of Commerce & Industry, P-11, Mission Row Extension, Calcutta-1.
17. Bharat Chamber of Commerce, State Bank Building, Calcutta-7.
18. Indian Chamber of Commerce, India Exchange, Calcutta-1.

B. ***Associations of Industry and Trade***

19. The Ahmedabad Millowners' Association, Post Box No. 7, Navrangpura, Ranchhodlal Marg, Ahmedabad-9.

20. The All India Manufacturers Organisation, Jeevan Sahakar, Sir P. M. Road, Bombay-1.

21. The Millowners' Association, Elphinstone Building, Veer Nariman Road, Bombay-1.

22. Western India Sheet Rollers' Association, 32, Nicol Road, Ballard Estate, Bombay-1.

23. Association of Indian Automobile Manufacturers, Army & Navy Building, M. G. Road, Bombay-1.

24. The Indian Cotton Mills' Federation, Elphinstone Building, Veer Nariman Road, Bombay-1.

25. Engineering Association of India, India Exchange, India Exchange Place, Calcutta-1.

26. Indian Chemical Manufacturers Association, India Exchange, India Exchange Place, Calcutta-1.

*27. Indian Electrical Manufacturers Association, India Exchange, Calcutta-1.

*28. Indian Engineering Association, 6, Netaji Subhas Road, Calcutta-1.

29. Indian Jute Mills Association, Royal Exchange, 6, Netaji Subhas Road, Calcutta-1.

30. Indian Sugar Mills Association, India Exchange, India Exchange Place, Calcutta-1.

31. Indian Tea Association, Royal Exchange, 6, Netaji Subhas Road, Calcutta-1.

32. Indian Non-Ferrous Metals Manufacturers' Association, India Exchange, India Exchange Place, Calcutta-1.

33. The Indian Paint Association, India Exchange, India Exchange Place, Calcutta-1.

C. *Industrialists*

34. Shri Nanubhai Amin, Race Course Circle, Baroda-5.

*35. Dr. Bharat Ram, 1, Jhandewalan Estate, New Delhi-1.

*36. Shri Satya Paul, M/s. Aminchand Payarelal, Jeevan Vihar, Parliament Street, New Delhi.

37. Shri H. P. Nanda, M/s. Escorts Ltd., Pratap Building, Connaught Place, New Delhi-1.

38. Shri Hansraj Gupta, Barakhamba Road, New Delhi.

39. Shri Bishambardas Kapur, M/s. Atlas Cycle Industries Ltd., Industrial Area, Sonepat (Delhi).

40 Shri S. L. Kirloskar, Elphinstone Road, Poona-3.

41. Shri K. P. Goenka, M/s. Duncan Bros. & Co. Ltd., 31, Netaji Subhas Road, Calcutta-1.

42. Shri B. L. Jalan, 8, Dalhousie Square East, Calcutta-1.

43. Shri K. L. Dhandhania, 4, Middleton Street, Calcutta-16.

44. Shri I. M. Thapar, Thapar House, 25, Brabourne Road, Calcutta-1.

45. Shri R. N. Bangur, Kettlewen Bullen & Co. Ltd., 21, Strand Road, Calcutta-1.

46. Shri G. N. Khaitan, Hind Galvanizing & Engineering Co. Pvt. Ltd., 96, Garden Reach Road, Calcutta-23.

47. Dr. U. P. Ganguli, Bengal Enamel Works Ltd., 41, Chowringhee Road, Calcutta-16.

48. Shri B. M. Birla, 15, India Exchange Place, Calcutta-1.

49. Sir Biren Mookerjee, Indian Iron & Steel Co., 12, Mission Row, Calcutta-1.

50. Shri K. T. Chandy, Chairman, Food Corporation of India, C/o Indian Institute of Management, 'Emerald Bower', 56-A, Barrackpore Trunk Road, Calcutta-50.

51. Shri D. C. Kothari, Oriental Building, Armenian Street, Madras-1.

52. Shri Balwant Rai, M/s. Ram Krishan Kulwant Rai, 15/16, Kondi Chetty Street, Madras-1.

53. The Buckingham & Carnatic Co. Ltd., Post Box No. 1966, Madras-1.

54. Shri Surottam Hutheesing, Shahibag, Ahmedabad.

55. Seth Kasturbhai Lalbhai, Pankore's Naka, Ahmedabad.

56. Shri G. K. Devarajalu, Lakshmi Mills Co. Ltd., 348, Avanashi Road, Coimbatore-1.

57. Shri Mazumdar, Atul Products Ltd., P.O. Atul, Bulsar.

58. Sir Padampat Singhania, J. K. Organisation, Kamla Tower, Kanpur.

59. Shri G. D. Somani Shreeniwas House, Waudby Road, Bombay-1.

60. Shri Ramkrishna Bajaj, 51, Mahatma Gandhi Road, Bombay-1.

61. Shri Prem Chand Jain, M/s. Dhrangadhra Chemical Works Ltd., 15-A, Horniman Circle, Bombay-1.

*62. Shri R. G. Saraiya, Navsari Chambers, Outram Road, Fort, Bombay.

63. Shri Shriyans Prasad Jain, 15-A, Horniman Circle, Bombay-1.

64. Shri B. D. Toshniwal, M/s. Toshniwal Bros. P. Ltd., 198, Jamshedji Tata Road, Bombay-1.

*65. Shri M. S. Dighe, M/s. Beacons Private Ltd., United Bank of India Building, Sir Phirozshah Mehta Road, Bombay-1.

66. Shri Murarji J. Vaidya, United Bank of India Building, Sir P. Mehta Road, Bombay-1.

67. Shri N. D. Sahukar, M/s. Godrej & Boyce Mfg. Co. Ltd., Lalbaug, Bombay-12.

68. Shri Prabhu V. Mehta. M/s. Calico Dyeing and Printing Mills P. Ltd., P. B. No. 6003. Bombay-12.

69. Shri F. Moos, M/s. Pioneer Magnesia Works Ltd., 113/115. Mahatma Gandhi Road. Bombay-1.

70. Shri D. S. Mulla, Consulting Engineer, Express Building, Churchgate, Bombay-1.

71. Shri N. D. Dalal, Sherman, 22, Narayan Dabholkar Road. Bombay-6.

*72. Shri K. S. Amin, M/s. Alembic Distributors Ltd., Lakshmi Building, Sir P.M. Road. Bombay-1.

*73. Shri S. C. Bose, M/s. Alfa Rubber Co., D' Mello Bhavan. Frere Road, Bombay-1.

74. Shri B. S. Mohatta, M/s. B. R. Herman & Mohatta (I) Pvt. Ltd., Mustafa Building, Sir P.M. Road, Bombay-1.

*75. Shri G. D. Thakoor, The Oriental Metal Pressing Works Pvt. Ltd., 131, Worli, Bombay-18.

76. Shri Y. A. Fazalbhoy, M/s. General Radio & Appliances Ltd., Unity House, Opera House, Bombay-4.

77. Shri N. S. Pochkhanawala, M/s. D. & P. Products (Pvt.) Ltd., Bombay Agra Road, Bhandup, Bombay-78.

78. Shri K. G. Thanawala, M/s. M. Best Cotton Rope Mfg. Co., 47/49, Forbes Street, Bombay-1.

79. Shri P. V. Shah. Metropolitan Springs Pvt. Ltd., Antop Hill, West, Wadala, Bombay-31.

80. Shri R. Chaturvedi, Jagdish Kunj, Indranarain Street, Santacruz (West), Bombay-54.

81. Shri Ram Agrawal, M/s. Almeco, Sambhava Chambers, 20, Sir P.M. Road, Bombay-1.

*82. Shri M. V. Dehejia, M/s. Voltas Ltd., 19, Graham Road, Bombay-1.

83. Shri F. S. Baldiwala, M/s. Tayabi Bucket Factory, Burhani Building, Near Crawford Market, Bombay-3.

84. Shri Moti Thadani, M/s. Steel Plant Pvt. Ltd., 205, Annie Besant Road, Bombay-18.

85. Dr. M. R. Mandlekar, 106, Shivaji Park, Bombay-28.

86. Shri J. D. Choksi, Tata Industries Pvt. Ltd., Bruce Street, Bombay-1.

87. Shri N. Wadia, Neville House, Ballard Estate, Bombay-1.

88. Shri P. R. Kamani, Kamani Chambers, Nicol Road, Bombay-1.

*89. Shri P. L. Tandon. Hindustan Lever Ltd., Backbay Reclamation, Bombay-1.

90. Dr. M. D. Parekh, The National Rayon Corporation Ltd., Ewart House, Fort, Bombay-1.

91. Shri S. Moolgaokar, Tata Industries Pvt. Ltd., Fort, Bombay-1.

D. *Government Departments*

*92. Secretary to the Government of India, Ministry of Labour, Employment and Rehabilitation, New Delhi.

93. Secretary to the Government of India, Ministry of Finance, (Department of Economic Affairs), New Delhi.

*94. Secretary to the Government of India, Ministry of Law, (Department of Company Affairs), New Delhi.

95. Secretary to the Government of India, Ministry of Food, Agriculture & Community Development, (Department of Agriculture), New Delhi.

96. Secretary to the Government of India, Ministry of Iron and Steel, New Delhi.

97. Secretary to the Government of India, Ministry of Mines and Metals, New Delhi.

*98. Secretary to the Government of India, Ministry of Transport and Aviation, New Delhi.

*99. Secretary to the Government of India, Ministry of Works, Housing and Urban Development, New Delhi.

*100. Secretary to the Government of India, Planning Commission, Yojana Bhavan, New Delhi.

101. Secretary to the Government of India, Ministry of Petroleum & Chemicals, New Delhi.

102. Directorate General of Technical Development, Udyog Bhavan, Maulana Azad Road, New Delhi.

103. Director-General of Supplies and Disposals, (Co-ordination Supplies Section I A), New Delhi.

*104. Chief Controller of Imports and Exports, Udyog Bhavan, New Delhi.

*105. Economic and Statistical Adviser, Ministry of Food & Agriculture, New Delhi.

106. Secretary, Department of Atomic Energy, Apollo Pier Road, Bombay-1.

107. Development Commissioner, Small Scale Industries, (Ministry of Industry), Udyog Bhavan, New Delhi.

108. The Iron and Steel Controller, 33, Netaji Subhas Road, Calcutta-1.

*109. The Director-General of Commercial Intelligence and Statistics, 1, Council House Street, Calcutta.

*110. Secretary to the Government of India, Ministry of Law, (Department of Legal Affairs), New Delhi.

*111. Secretary to the Government of India, Ministry of Commerce, Udyog Bhavan, New Delhi-11.

112. The Economic Adviser, Ministry of Finance, New Delhi.

113. Bureau of Public Enterprise, Ministry of Finance, New Delhi.

114. Chairman, Oil and Natural Gas Commission, Tel Bhavan, New Delhi.

115. Executive Director, National Research Development Corporation of India, Mandi House, New Delhi.

*116. The Chief Secretary to the Government of Andhra Pradesh, Hyderabad.

117. The Chief Secretary to the Government of West Benal, Calcutta.

118. The Chief Secretary to the Government of Gujarat, Ahmedabad-15.

*119. The Chief Secretary to the Government of Kerala, Trivandrum.

120. The Chief Secretary to the Government of Madhya Pradesh, Bhopal.

121. The Chief Secretary to the Government of Maharashtra, Bombay.

122. The Chief Secretary to the Government of Mysore, Bangalore.

123. The Chief Secretary to the Government of Punjab, Chandigarh.

124. The Chief Secretary to the Government of Uttar Pradesh, Lucknow.

125. The Chief Commissioner, Delhi Administration, Delhi.

*126. The Director of Industries, Himachal Pradesh, Simla.

127. The Chief Secretary to the Government of Manipur, Imphal.

*128. The Chief Commissioner, Andaman Nicobar Islands, Port Blair.

129. The Chief Commissioner, Government of Pondicherry, Pondicherry.

*130. The Chief Commissioner, Administration of the Union Territory of Laccadives, Kavaratti Island (Via H.P.O., Calicut).

*131. The Collector of Customs, Custom House, Calcutta.

*132. The Collector of Customs, New Custom House, Bombay.

*133. The Collector of Customs. Custom House, Madras.

*134. The Collector of Customs & Central Excise, Custom House, Cochin.

135. The Collector of Customs & Central Excise, Customs House, Panjim (Goa).

*136. The Deputy Collector of Customs, Visakhaptnam.

*137. The Collector of Central Excise, Delhi.

138. The Collector of Central Excise & Customs, New Central Excise Building, Churchgate, Bomay-1.

*139. Collector of Central Excise, Calcutta.

*140. Collector of Central Excise, Madras-34.

*141. Collector of Central Excise, Allahabad.

*142. Collector of Customs & Central Excise, Shilong.

*143. Collector of Central Excise, Patna.

E. *Public Sector Undertakings*

144. Chairman, Hindustan Steel Limited, P.O. Hinoo (Ranchi).

*145. Managing Director, Bokaro Steel Limited, 1, Lower Circular Road, Calcutta-20.

146. Chairman & Managing Director, Heavy Electricals (India) Ltd., Bhopal.

147. Chairman, Heavy Engineering Corporation Ltd., P.O. Dhurwa, Ranchi.

*148. Managing Director, Natonal Coal Development Corporation Ltd., Darbhanga House, Ranchi.

*149. Managing Director, Hindustan Salts Limited, Bhagwandas Road, Jaipur.

150. Managing Director, Hindustan Insecticides Limited, Industrial Area, Rohtak Road, New Delhi-15.

*151. Managing Director, Praga Tools Limited, Kavadiguda Road, Secunderabad-3.

*152. Managing Directir, The National Instruments Limited, Jadavpur, Calcutta-32.

153. Managing Director, The National Newsprint & Paper Mills Ltd., Nepanagar (Madhya Pradesh).

154. Chairman & Managing Director, The Fertilizer Corporation of India Ltd., Ring Road, New Delhi.

155. Managing Director, The Fertilizers & Chemicals Trafancore Ltd., P.O. Udyogamandal, Alwaye (Kerala).

*156. Managing Director, The National Industrial Development Corporation Ltd., Udyog Bhavan, Maulana Azad Road, New Delhi.

*157. Managing Director Hindustan Limited, Poona-18.

*158. Chairman, National Mineral Development Corporation Ltd., Faridabad.

159. Chairman & Managing Director, Hindustan Organic Chemicals Ltd., P.O. Rasavani (Dist. Kolaba).

*160. Managing Director, Hindustan Photo Films Manufacturing Co. Ltd., Indu Nagar, P.O. Ootacamund.

*161. Chairman, National Small Industries Corporation, Near Okhla Industrial Estate, New Delhi.

*162. Managing Director, Rehabilitation Industries Corporation, P. B. No. 9103, Calcutta-16.

*163. Managing Director, Bharat Electronics Limited, Jalahalli P.O., Bangalore-13.

*164. Managing Director, Export Credit & Guarantee Corporation Ltd., P.O. Box 1932, Bombay-1.

*165. Managing Director, Indian Rare Earths Limited, Pill Court, Queen's Road, Bombay-1.

*166. Managing Director, Cochin Refineries Ltd., Ernakulam-6 (Kerala).

*167. Chairman, Industrial Finance Corporation of India, Reserve Bank Building, Parliament Street, New Delhi-1.

*168. General Manager, Instrumentation Limited, Kota-Jhalawar Road, Kota (Rajasthan).

*169. Managing Director, Cement Corporation of India Ltd., 5-A, Bahadur Shah Zafar Marg, New Delhi-1.

*170. Managing Director, Bharat Earth Movers Ltd., Hindustan Aircraft P.O., Bangalore-17.

*171. Chairman, Bharat Aluminium Co. (Pvt.) Ltd., Udyog Bhavan, Maulana Azad Road, New Delhi-11.

*172. Managing Director, Hindustan Zinc Ltd., 11/221, Hospital Road, Udaipur (Rajasthan).

F. *Panel of Economists*

173. Prof. D. R. Gadgil, Vice-Chancellor, Gokhale Institute of Politics & Economics, Poona-4.

174. Dr. P. S. Lokanathan, Director General, National Council of Applied Economic Research, Indraprastha Estate, New Delhi-1.

175. Dr. B. K. Madan, Deputy Governor, Reserve Bank of India, Bombay.

*176. Shri S. L. N. Sinha, Economic Adviser, Industrial Development Bank of India, 9, Mathew Road, Bombay-4.

*177. Dr. S. R. Sen, Adviser, Planning Commission, New Delhi.

*178. Shri B. N. Datar, Adviser (Labour & Social Planning Division), Planning Commission, Yojana Bhavan, Parliament Street, New Delhi.

*179. Dr. B. N. Ganguli, Pro-Vice Chancellor, University of Delhi, Delhi-6.

*180. Dr. K. N. Raj, Director, The Delhi School of Economics, University of Delhi, Delhi.

*181. Dr. Baljit Singh, Professor of Economics, Lucknow University, Lucknow.

*182. Prof. B. R. Shenoy, Professor of Economics, University School of Social Sciences, Gujarat University, Ahmedabad-9.

183. Dr. A. K. Das Gupta, Director, A. N. Sinha Institute of Social Studies, Patna-1.

184. Prof. S. K. Basu, Indian Institute of Social Welfare & Business Management, College Square West, Calcutta-7.

185. Prof. K. T. Merchant, Member, Tariff Commission, Central Government Offices Building, 101, Queen's Road, Bombay-1.

186. Dr. R. Balakrishna, 51, De Costa Square, Cooke Town, Bangalore-5.

187. Dr. K. R. Thanawala, Senior Research Officer, Department of Economics, University of Bombay, Bombay-1.

188. Prof. R. K. Hazari, Department of Economics, University of Bombay, Bombay.

189. Dr. M. C. Munshi, Member, Railway Rates Tribunal, (Ministry of Railways, Government of India), "Adyar House", Madras-28.

G. *Ex-Presidents/Chairmen/Members of the Tariff Board/Commission*

190. Shri G. L. Mehta, Chairman, The Industrial Credit and Investment Corporation of India Ltd., 163, Backbay Reclamation, Bombay-1.

191. Dr. H. L. Dev, 1/66, Garcha 1st Lane, Calcutta-19.

192. Shri M. D. Bhat, Authorised Controller, India United Mills Ltd., Indu House, Dougall Road, Bombay-1.

193 Shri K. R. Damle, Lt. Governor, Goa, Daman & Diu, Cabo Raj Niwas, Caranzalem, Goa.

194. Shri C. Ramasubban, Lasa, 5-G, Virabhadrier Steel, Nungambakkam, Madras-34.

195. Shri K. R. P. Aiyangar, 'Sri Nivasa', 51, Kamraj Avenue, Adayar, Madras-20.

196. Shri B. N. Adarkar, Deputy Governor, Reserve Bank of India, Bombay-1.

197. Shri J. N. Dutta, Adviser on Government Operations, United States of America, Agency for International Development, Faridkot House, New Delhi-1.

198. Shri R. S. Bhatt, Chairman, Unit Trust of India, P. B. No. 2000, Bombay-1.

199. Shri J. N. Sen Gupta, Sen-Gupta Villa, Kalyan-Nagar, P.O. Rahara, Khardaha, (24 Parganas), West Bengal.

*200. Dr. S. K. Muranjan, 8, Ashley House, Colaba Road, Bombay-5.

H. *Miscellaneous*

201. The Institute of Cost and Works Accountants of India, Cost Accountants' Hall, 12, Sudder Street, Calcutta-16.

202. Director, Indian Institute of Social Welfare and Business Management, College Square West, Calcutta-7.

*203. Director, Indian Statistical Institute, 203, Barrackpore Trunk Road, Calcutta-35.

204. C. C. Chokshi & Co., Mafatlal House, Back Bay Reclamation, Bombay-1.

APPENDIX IV-B

(*Vide* Introductory)

List of persons/organisations who tendered oral evidence before the Committee at Bombay, New Delhi and Calcutta.

A. ***Bombay***

1. The Indian Merchants' Chamber, Indian Marchants' Chamber Building 76, Veer Nariman Road, Bombay-1.
2. Maharashtra Chamber of Commerce, 12, Rampart Row, Bombay-1.
3. The All-India Manufacturers' Organisation. Jeevan Sahakar. Sir P.M. Road, Bombay-1.
4. The Indian Cotton Mills' Federation, Elphinstone Building, Veer Nariman Road, Bombay-1.
5. Association of Indian Automobile Manufacturers, Army & Navy Building, M.G. Road, Bombay-1.
6. Indian Sugar Mills Association, India Exchange, India Exchange Place, Calcutta-1.
7. Dr. M. R. Mandlekar, 106, Shivaji Park, Bombay-28.
8. Shri M. S. Doshi, M/s. B.M.K. Industries Pvt. Ltd., Kalina Road, Bombay-70.
9. Shri D. S. Mulla, Consulting Engineer, Express Building, Churchgate, Bombay-1.
10. Shri J. D. Choksi, Tata Industries Pvt. Ltd., Bombay House, Bruce Street, Bombay-1.
11. Shri C. C. Choksi, M/s. C.C. Choksi & Co., Mafatlal House, Bombay Reclamation, Bombay-1.
12. Shri G. D. Somani, Shree Niwas House, Waudby Road, Bombay-1.
13. Shri Y. A. Fazalbhoy, M/s. General Radio & Appliances Ltd., Unity House, Opera House, Bombay-4.
14. Shri K. Mahindra, Gateway Building, Apollo Bunder, Bombay-1.
15. Shri Lalchand Hirachand, Construction House, Ballard Estate, Bombay-1.
16. Shri Arvind Mafatlal, Mafatlal House, Backbay Reclamation, Bombay-1.
17. Shri S. K. Soman, Atul Products Ltd., P.O. Atul, Bulsar.
18. Dr. M. D. Parekh. The National Rayon Corporation Ltd., Ewart House, Bombay-1.
19. Prof. C. N. Vakil, 14, Kalpana, 96, Marine Drive, Bombay.

20. Prof. K. T. Merchant, Member, Tariff Commission, C.G.O. Building, 101 Queen's Road, Bombay-1.

21. Shri G. L. Mehta, Chairman, The Industrial Credit and Investment Cor poration of India Ltd., 163, Backbay Reclamation, Bombay-1.

22. Shri R. S. Bhatt, Chairman, Unit Trust of India, Bombay Life Building P.B. No. 2000, Bombay-1.

23. Shri B. N. Adarkar, Deputy Governor, Reserve Bank of India, Bombay-1.

B. *New Delhi*

24. U.P. Chamber of Commerce, 15/197, Civil Lines, Kanpur.

25. Punjab & Delhi Chamber of Commerce & Industry, Pholps Building, P.O Box No. 130, New Delhi-1.

26. Dr. Bharat Ram, Naaz Building, 1, Jhandewalan Estate, New Delhi-1.

27. Shri Bisambardas Kapur, M/s. Atlas Cycles Industries Ltd., Industria Area, Sonepat (Near Delhi).

28. Shri H. P. Nanda, M/s. Escorts Ltd., Pratap Buildings. Connaught Place New Delhi-1.

29. Director General of Supplies & Disposals, New Delhi-1.

30. Shri Satish Chandra, Chairman, The Fertilizer Corporation of India Ltd. Ring Road, New Delhi-3.

31. Shri J. N. Dutta, Adviser on Government Operations, United States of America, Agency for International Development, New Delhi-1.

C. *Calcutta*

32. Bengal National Chamber of Commerce & Industry, P-11, Mission Row Extension, Calcutta-1.

33. Bharat Chamber of Commerce, State Bank Building, (Barapazar Branch), Calcutta-7.

34. Indian Chamber of Commerce, India Exchange, Calcutta-1.

35. Engineering Association of India, India Exchange, India Exchange Place, Calcutta-1.

36. Indian Jute Mills Association, Royal Exchange, 6, Netaji Subhas Road, Calcutta-1.

37. Indian Tea Association, 6, Netaji Subhas Road, Royal Exchange, Calcutta-1.

38. Indian Non-Ferrous Metal Manufacturers' Association, India Exchange, India Exchange Place, Calcutta-1.

39. Indian Paint Association, India Exchange, India Exchange Place, Calcutta-1.

40. Indian Chemical Manufacturers' Association, India Exchange, India Exchange Place, Calcutta-1.

41. The Institute of Cost and Works Accountants of India, Cost Accountants' Hall, 12, Sudder Street, Calcutta-16.

42. Hindustan Steel Ltd., P.O. Hinoo (Ranchi).

43. Heavy Engineering Corporation Ltd., P.O. Dhurwa, Ranchi.

44. Sir Biren Mookerjee, Martin Burn Ltd., 12, Mission Row, Calcutta-1.

45. Dr. S. K. Basu, Indian Institute of Social Welfare & Business Management, College Square West, Calcutta-7.

46. Prof. S. N. Sen, Department of Economics, Calcutta University, Calcutta-50.

47. Dr. H. L. Dey, 1/66, Garcha 1st Lane, Calcutta-19.

48. Shri J. N. Sen Gupta, Sen-Gupta Villa, Kalyan-nagar, P.O., Rahara, Khardaha, (24 Parganas), West Bengal.

सत्यमेव जयते

APPENDIX V

(*Vide* Paragraph 13)

MINISTRY OF LAW

New Delhi, the 14th September, 1951

The following Act of Parliament received the assent of the President on the 12th September 1951, and is hereby published for general information:—

THE TARIFF COMMISSION ACT, 1951.

No. L of 1951.

An Act to provide for the establishment of a Tariff Commission and to regulate its duties and functions.

(*12th September,* 1951)

Be it enacted by Parliament as follows:

CHAPTER I

Preliminary

1. Short title and commencement.—(1) This Act may be called the Tariff Commission Act, 1951.

(2) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.

2. Definitions.—In this Act, unless the context otherwise requires:—

(a) "Commission" means the Tariff Commission established under this Act;

(b) "Chairman" means the chairman of the Tariff Commission;

(c) "Member" means a member of the Tariff Commission and includes the chairman of the Commission;

(d) "prescribed" means prescribed by rules made under this Act;

(e) "Regulations" means the regulations made by the Commission under Section 25.

CHAPTER II

Establishment of the Tariff Commission

3. Constitution of a Tariff Commission and appointment of chairman thereof.—For the purposes of this Act, the Central Government shall establish a Tariff Commission which shall consist of not less than three, but not exceeding five, wholetime members appointed by the Central Government, and one of them shall be nominated by the Central Government to be the chairman thereof:

Provided that the Central Government may, as often as may be necessary, appoint not more than two additional members on the Commission for such purpose and period and on such conditions as it thinks fit.

4. Qualifications for membership of the Commission.—The persons to be appointed as members of the Commission shall be men of ability and standing who have shown capacity in dealing with problems relating to commerce or industry or in administration or who have special knowledge in any matter as renders them suitable for appointment on the Commission.

5. Disqualifications for membership.—(1) No person shall be qualified for appointment as, or for continuing to be, a member of the Commission if he has directly or indirectly any such financial or commercial interest in any industry or undertaking as is likely to affect him in the discharge of his duties as a member of the Commission.

(2) The appointment as a member of the Commission of any person who is a Member of Parliament or of the Legislature of any State shall be void unless within one month of the date of his appointment be ceases to be such Member and if any member of the Commission is elected as a Member of Parliament or of any State Legislature, he shall cease to be a member of the Commission as from the date of such election.

(3) Every member, shall, whenever, required by the Central Government so to do, furnish to it such information as it may require for the purpose of securing compliance with the provisions contained in sub-section (1).

6. Conditions of service of Members of the Commission.—(1) Every wholetime member of the Commission shall hold office for a period of three years from the date of his appointment.

Provided that a member relinquishing his office on the expiry thereof shall be eligible for reappointment for a second period of three years.

(2) There shall be paid to the members of the Commission such salaries and allowances as may be determined by the Central Government:

Provided that such salaries and allowances shall not be varied to the disadvantage of a member after his appointment.

(3) A member of the Commission ceasing to hold office as such shall not hold any appointment in any private industry or undertaking for a period of three years, from so ceasing to hold office, save with the consent in writing of the Central Government.

7. Power of Central Government to remove members from office in certain cases.—(1) The Central Government may remove from office any member of the Commission who has been adjudged an insolvent or has been convicted of an offence involving moral turpitude and also any member who, in the opinion of the Central Government:

(a) has become physically or mentally incapable of acting as such member, or

(b) has so abused his position as to render his continuance in office detrimental to the public interest, or

(c) has incurred the disqualification specified in sub-section (1) of Section 5.

(2) The removal of any member under sub-section (1) shall be reported, as soon as may be, to Parliament.

8. *Appointment of Officers and other employees of the Commission.*—Subject to such rules as may be made in this behalf, the Commission may for the purpose of enabling it to efficiently discharge its functions under this Act appoint such number of officers and other employees as it may think fit and determine their conditions of service.

9. *Sittings of the Commission.*—(1) Subject to the regulations, the Commission may hold sittings in any part of India in such place or places as it may deem most convenient for the transaction of its business or proceedings and shall keep the minutes of its proceedings in such form as it may think fit.

(2) Sittings of the Commission shall be convened by the chairman and shall be open to the public unless the Commission in any particular case decides otherwise.

(3) The chairman shall preside at all sittings of the Commission at which he is present and in his absence from any such sitting the members present thereat shall elect one of the members to preside as chairman.

10. *Vacancy not to invalidate proceedings.*—No act or proceeding of the Commission shall be deemed to be invalid by reason merely of any vacancy in, or any defect in the constitution of the Commission.

CHAPTER III

FUNCTIONS OF THE COMMISSION

11. Reference of matters relating to protection of industries generally to the Commission the Central Government may refer to the Commission for inquiry and report and matter requiring in its opinion:

(a) the grant of protection (whether by the grant of subsidies or the levy of protective duties or in any other suitable form) for the encouragement of any industry in India (including any industry which has not started production but which is likely to do so if granted suitable protection);

(b) an increase or decrease in the duties of customs or other duties in relation to any industry for the protection thereof;

(c) action to be taken in relation to the dumping of goods in the market occasioned by excessive import or otherwise;

(d) action to be taken where an industry is taking undue advantage of the tariff protection granted to it, particularly with reference to whether the protected industry is—

(i) charging unnecessarily high prices for its goods,

(ii) acting or omitting to act in a manner which results in high prices being charged to consumers through limitation of quantity, deterioration in quality or inflation of cost of production and the like, or

(iii) acting in restraint of trade to the detriment of the public;

(e) further action to be taken in relation to the protection granted to an industry, with a view to its increase, decrease, modification or abolition according to the circumstances of the case.

(12) *Reference to the Commission of additional matters arising out of protection.*—The Central Government may also refer to the Commission for inquiry and report any matter relating to—

(a) The effect of protection on—

(i) the general level of prices in the country,

(ii) the cost of living of any specified section of the community;

(iii) the different sectors of the country's economy;

(b) The effect of tariff concessions under trade or commercial agreements on the development of any specified industry;

(c) any anomalies that may result from the working of protective or revenue duties (as for example, relationship between the rates of duty on finished goods, partly finished goods and raw materials);

(d) the prices of particular commodities whether protected or not.

13. *Power of Commission* suo motu *to make inquiries.*—The Commission may on its own motion inquire into and report to the Central Government on any of the matters referred to in clauses (b), (c), (d), and (e) of Section 11, or in clauses (a) (b) and (c) of section 12.

14. *Principles to be taken into account in making any inquiry under section 11(1) (a).*—In making a report in respect of any matter referred to it under clause (a) of section 11, the Commission shall among other matters have due regard to—

(a) the cost of production or manufacture in the principal growing, producing or manufacturing regions of India of the commodity produced by the industry claiming protection and the cost which should be taken to be representative of the industry concerned:

(b) the approximate cost of production or manufacture in the principal growing, producing or manufacturing centres of foreign countries of the commodity which competes with the commodity produced by the industry claiming protection if the determination of such cost is necessary for the purpose of any case;

(c) the approximate cost of import of any such competing commodity as is specified in clause (b);

(d) the price which may be deemed to be the representative fair selling price for growers, producers or manufacturers in India in respect of the industry claiming protection;

(e) the quantities of the commodity required for consumption and the quantities thereof produced in or imported into India;

(f) the effect of protection, if granted to an industry on other industries, including cottage and other small scale industries.

(2) On the basis of its findings on the matters referred to in sub-section (1), the Commission shall assess, for the purpose of its report.

(a) the relative advantages enjoyed by the industry;

(b) the nature and extent of foreign competition;

(c) the possibility of the industry developing sufficiently within a reasonable time to be able to carry on successfully without protection;

(d) the likely effect of a protective tariff or other form of protection on the interests of the consumer or of industries using the commodity in question, as the case may be;

(e) the desirability or otherwise of protecting the industry in the public interest.

(3) In recommending the grant of protection to any industry, the Commission may specify the conditions which shall be fulfilled before and after the grant of protection, with particular reference to the following points, namely:—

(a) the scale of output;

(b) the quality of its products;

(c) the price charged for its products;

(d) the technological improvements required by the industry;

(e) the need for research in the process of manufacture;

(f) the training of officers, technicians and other persons employed in the industry;

(g) the use in the industry of indigenous products, whether raw or manufactured;

(h) the time within which an industry in respect of which protection has been given in advance of production, should start production; and

(i) any other matter in respect of which the Commission considers it necessary to specify conditions.

15. *Duties of the Commission.*—It shall be the duty of the Commission, at such intervals as may be prescribed:—

(a) to investigate into the manner in which protection in relation to any industry has been working, with particular reference to:—

(i) the cost of production of the protected commodity;

(ii) the scale of output of the protected industry;

(iii) the quality of the protected commodity;

(iv) the prospects of future expansion of the protected industry;

(v) the relative competitive position of the industry and the factors entering into it; and

(vi) any other factor having a bearing on the usefulness of the industry to the country's economy;

(b) to investigate into any special conditions that may have been imposed on a protected industry, with particular reference to:—

(i) the extent to which and the manner in which the obligations have been discharged,

(ii) the further steps that would be necessary to implement them fully,

(iii) the difficulties, if any, in the way of the full discharge of such obligations, and to make a report thereon to the Central Government.

16. *Action on Commission's report.*—(1) Upon receipt of a report made to it by the Commission, the Central Government may take such action as it considers fit in respect of any of the matters dealt with in the report.

(2) A copy of every final report made to the Central Government together with a report of the action taken thereon by the Central Government under sub-section (1), shall be laid on the table of Parliament within three months of the submission of the report to the Central Government, if Parliament is then sitting or, if Parliament is not then sitting within seven days of its re-assembly:

Provided that when the report cannot be so laid, a statement explaining the reasons therefor shall be laid on the table of Parliament.

CHAPTER IV

MISCELLANEOUS

17. *Reports and statements.*—(1) At the end of every financial year or such earlier period as may be prescribed, the Commission shall submit a report to the Central Government containing a detailed account of its activities during the year.

(2) The Central Government may also call for such reports, returns or statements from the Commission from time to time as it considers necessary.

18. *Appointment of assessors to help Commission in the discharge of its functions.*—For the purpose of any inquiry under this Act, the Central Government may, either on its own motion and in consultation with the Commission or at the request of the Commission, appoint one or more persons possessing special knowledge of any matter relevant to the inquiry to assist the Commission.

19. *Members of Commission to be public servants.*—All members and officers of the Commission shall be deemed, while acting or purporting to act in pursuance of any of the provisions of this Act, to be public servants within the meaning of section 21 of the Indian Penal Code (Act XLV of 1860).

20. *Powers of the Commission.*—(1) For the purpose of conducting any inquiry under this Act, the Commission shall have all the powers of civil court while trying a suit, under the Code of Civil Procedure, 1908 (Act V of 1908), in respect of the following matters, namely:—

(a) summoning and enforcing the attendance of any person and examining him on oath;

(b) requiring the discovery and production of any document;

(c) receiving evidence on affidavits;,

(d) requisitioning any public record from any office;

(e) issuing commissions for the examination of witnesses.

(2) The commission shall have power to require any person to furnish information on such points or matters as, in the opinion of the Commission, may be useful for, or relevant to, the subject matter of any inquiry.

(3) The Commission shall be deemed to be a civil court for the purposes of Sections 480 and 482 of the Code of Criminal Procedure, 1898 (Act V of 1898), and any proceeding before the Commission shall be deemed to be a judicial proceeding within the meaning of sections 193 and 228 of the Indian Penal Code (Act XLV of 1860).

21. *Statements made by persons to the Commission.*—No statement made by a person in the course of giving evidence before the Commission shall subject him to or be used against him in, any civil or criminal proceeding except a prosecution for giving false evidence by such statement:

Provided that the statement—

(a) is made in reply to a question which he is required by Commission to answer, and

(b) is relevant to the subject matter of the inquiry.

22. *Restriction on disclosure of information.*—(1) No information relating to any industry being information which has been obtained by or on behalf of the Commission for the purpose of its functions under this Act shall, without the previous consent in writing of the owner for the time being of that industry, be disclosed otherwise than in compliance with or for the purposes of this Act.

(2) Nothing in the preceding sub-sections shall apply to any disclosure of information made for the purpose of any legal proceeding pursuant to this Act or of any criminal proceeding which may be taken, whether pursuant to this Act or otherwise, or for the purposes of any report relating to any such proceeding.

(3) If any person discloses any information in contravention of this section, he shall be punishable on conviction with fine, which may extend to one thousand rupees, or with imprisonment for a term which may extend to six months, or with both.

23. *Protection of action taken in good faith.*—No suit, prosecution or other legal proceeding shall lie against any member, officer or servant of the Commission for anything which is in good faith done or intended to be done under this Act.

24. *Power to make rules.*—(1) The Central Government may, by notification in the Official Gazette, make rules to carry out the purposes of this Act.

(2) In particular, and without prejudice to the generality of the foregoing power, rules made under this section may provide for:—

(a) the salaries and allowances payable to members, officers and other employees of the Commission and their conditions of service;

(b) the procedure to be followed before any member can be removed from office under section 7;

(c) the intervals within which reports under section 15 shall be made by the Commission; ;

(d) the form in which any the period within which reports under section 17 shall be submitted to the Central Government.

(e) the fees or allowances that may be paid to persons appointed under section 18 to assist the Commission.

25. *Power to make regulations.*—Subject to the provisions contained in this Act and in any rules made thereunder, the Commission may, with the previous consent of the Central Government, make regulations for the purpose of enabling it to discharge its functions under this Act, and in particular, such regulations may provide for—

(a) the procedure and conduct of business of the Commission;

(b) the terms and conditions of service of officers and other employees of the Commission;

(c) the delegation to one or more members of the Commission of such functions of the Commission as the Commission may specify.

26. *Construction of references to Tariff Board in other laws.*—References in the Indian Tariff Act, 1934 (XXXII of 1934), or in any other law for the time being in force to the Tariff Board as set up under any Resolution of the Government of India shall be construed as references to the Tariff Commission established under this Act.

K. V. K. SUNDARAM,
Secretary.

APPENDIX VI

(*vide* Paragraph 13)

ORGANISATIONAL CHART OF THE TARIFF COMMISSION

Chairman and Members

Secretary

Investigation Division		(2) *Review and Research Division* Director (Review and Research)				(3) *Technical Division*		(4) *Cost Accounts Division*		(5) Private Secretary to Chairman
Director (Investigations)	1	Asstt. Director (Reviews)	1	Assistant Director (Research)	1	Technical Director (E & M)	1	Sr. Cost Accounts Officer	1	1
Assistant Director (Investigations)	1	Research Officer	1	Research Officers	2	Technical Director (Chemicals)	1	Cost Accounts Officers	2	
Research Officer	1	Superintendent	1	Jr. Econ. Investigator	1	Research Officer (Chemicals)	1	Asstt. Cost Accounts Officers	2	
		Sr. Econ. Investigators	2							
Superintendent	1	Jr. Econ. Investigators	4	Upper Division Clerk	1			Cost Accountants	6	
Sr. Econ. Investigators	4	Upper Division Clerks	3	Lower Division Clerks	2			Technical Assistant (Computation)	1	
Jr. Econ. Investigators	5									
Lower Division Clerks [(including L.D.C. (S.G.)]	6	Lower Division Clerks (Selection Grade)	Nil					Comptists	2	
		Lower Division Clerks	3					Clerks	2	
Record Section										
Lower Division Clerk (Under Supdt.)	1									
	20		15		7		3		16	1

(6)

Administration Division

Administrative Officer

Establishment Cash and Accounts		*General Section*		*Reporters*	4	*Class IV staff*	
Dy. Superintendent	1	Dy. Superintendent	1	Personal Assistants to Chairman, Members and Secretary	5	Jr. Gestetner Operators	2
Assistant	1	Assistant	1	Stenographers	11	Daftaries	4
Cashier	1	Librarian	1			Jamadars	4
U. D. Clerks	5	U. D. Clerks	2			Chowkidars	2
L. D. Clerks (Selection Grade)	Nil	L. D. Clerks and Typist (including Telephone Operator)	15			Peons	29
L. D. Clerks	4	Sr. Gestetner Operator	1			Hamals	4
		Driver	1			Sweepers	3
	12		22		20		48

APPENDIX VII-A

(*Vide* paragraph 17)

Statement showing the names of industries inquired into by the Tariff Commission during the period 1952-53 *to* 1966-67

A. *Grant or continuance of protection inquiries*

Sl. No.	Name of the industry	Years of tariff inquiries by the Commission	Year of commencement of protection	Year of termination of protection	Duration of protection (years)	Remarks
1	2	3	4	5	6	7
1	Alloy, tool and special steels	1955.	1948	1956	8	..
2	Aluminium . . .	1955, 1958, 1960 and 1964	1949	..	..	Still in the protected list.
3	Antimony . . .	1954, 1956, 1958, 1962, 1963 and 1966.	1947	1967	20	..
4	Artificial Silk and Cotton and Artificial Silk Mixed Fabrics	1955 and 1958.	1934	1959	25	..
5	Automobiles . . .	1953, 1956 and 1967	1953	..	..	Still in the protected list.
6	Automobile hand tyre inflators	1954, 1957 and 1960.	1955	1961	6	..
7	Automobile leaf springs .	1954, 1957, 1959	1954	1960	5	..
8	Automobile sparking plugs .	1954, 1955, 1960, 1963 and 1965	1965	1966	11	..

1	2	3	4	5	6	7
9	Bare copper conductors, A.C.S.R. and A.A.C.	1957, 1960, 1963 and 1966	1948	1967	20	Copper conductors were in protected group but deprotected in 1961. A.A.C. were included only from 1958.
10	Bichromates	1954 and 1958.	1947	1959	12	..
11	Bicycles	1954, 1957, 1960 and 1963.	1947	1964	17	..
12	Ball bearings	1952, 1956, 1960, 1962 and 1965.	1953	1966	13	..
13	Calcium chloride	1955	1947	1956	9	..
14	Calcium Lactate	1953, 1957 and 1960.	1951	1961	10	..
15	Cotted abrasives	1954 and 1955.	1947	1956	9	..
16	Cotton and hair beltings	1954, 1957 and 1959.	1948	1960	12	..
17	Cocoa powder and chocolate	1954, 1956 and 1958.	1947	1959	12	..
18	Cotton textile machinery	1954, 1957, 1960, 1963 and 1966.	1950	1967	17	Tin rollers and plain looms were also in the group upto 1955 and 1958 respectively. Automatic looms were included from 1954. In 1954, protected categories covered spinning ring frames, spinning ring spindles spinning rings, fluted rollers, tin rollers and plain and automatic looms.
19	Calcium carbide	1956, 1958, 1961 and 1964	1956	1965	9	..

1	2	3	4	5	6	7
20	Caustic soda and bleaching powder	1954, 1958, 1961 and 1964.	1955	1965	10	Bleaching powder was deprotected in 1954 and caustic soda in 1965.
21	Dry battery	1953.	1948	1954	6	
22	Diesel fuel injection equipment	1955, 1957, 1959 and 1963.	1956	1964	8	Single cylinder pumps, nozzle holders and parts thereof were deprotected in 1964. However protection was granted to multi-clyinder pumps in 1964.
23	Dyestuffs	1954, 1962 and 1964	1955	..	..	Still in the protected list. Naphthols and fast colour bases and intermediates, 2-amino-anthra quinone, benzon throne, Bon-acid—are protected since 1965.
24	Electric brass lamp holders	1954 and 1956.	1951	1958	7	—
25	Electric motors	1955, 1958, 1961, 1963 and 1965	1948	1966	18	—
26	Engineers' steel files	1955, 1958, 1960 and 1963	1955	1964	8	—
27	Ferro-silicon	1953	1948	1954	6	—
28	Fountain pen ink	1953	1951	1954	4	—
29	Grinding wheels	1955, 1957 and 1959	1949	1960	11	—
30	Glucose	1953 and 1955	1948	1956	8	—
31	Hydroquinone	1953, 1955 and 1959	1952	1960	8	—

1	2	3	4	5	6	7
32	Hurricane lanterns . .	1954	1947	1955	8	—
33	Machine screws . . .	1955, 1957 and 1959	1952	1960	8	—
34	Matches . . .	1963	1928	1966	38	—
35	Motor vehicle batteries	1952 and 1955	1949	1956		—
36	Non-ferrous metals . .	1957, 1959, 1962 and 1965	1948	1966	18	Different items in the group were de-protected from different dates.
37	Oil pressure lamps .	1954 and 1957	1951	1958	7	—
38	Pencils . . .	1953	1951	1954	3	—
39	Pickers	1954	1949	1955	6	—
40	Plastics	1956, 1959 and 1962	1950	1963	13	There were three items in this group. They were de-protected from different dates, electrical accessories from 1957, buttons from 1960 and P.F. moulding powder from 1963.
41	Power and distribution transformers . .	1952, 1956, 1960, 1963 and 1965	1953	1966	13	—
42	Piston assembly . .	1955, 1957, 1960, 1963 and 1966	1956	1967	11	—
43	Plywood and teachests . .	1953, 1957 and 1960	1948	1961	13	—
44	Preserved fruits .	1954 and 1957	1947	1958	11	—

1	2	3	4	5	6	7
45	Sago	1954, 1957 and 1959	1951	1960	9	—
46	Sewing machines . .	1954	1947	1955	8	—
47	Sericulture	1953, 1958, 1963 and 1966	1934	—	—	Still in the protected list.
48	Sheet glass	1954, 1957, 1960, 1962 and 1965	1950	1966	16	—
49	Sodium thiosulphate, sodium sulphite and sodium bisulphite (photographic chemicals)	1955	1947	1956	9	—
50	Soda ash	1955, 1958, 1961 and 1964	1950	1965	15	—
51	Starch	1955	1948	1956	8	—
52	Stearic and oleic acids . .	1954, 1957, 1959 and 1962	1948	1963	15	—
53	Steel baling hoops . .	1955	1954	1956	2	—
54	Titanium dioxide. . .	1953, 1955, 1957, 1961 and 1964	1954	1965	11	—
55	Wood screws . . .	1953, 1957 and 1960	1947	1961	14	—
56	Zip fasteners . . .	1951 and 1954	1952	1955	3	—

B. Industries whose claim for protection was rejected by the Commission

Sl. No.	Name of the industry	Year of inquiry
1	Flax goods	1953
2	Isoniazid	1955
3	Para-Aminosalicylic acid	1958
4	Woollen hosiery	1952

C Price Inquiries—(Please refer to Appendix XII)

APPENDIX VII-B

(*Vide* paragraph 17)

List of Reports submitted by the Tariff Commission to the Government of India during 1952-1953 to 1966-67

Sl. No.	Name of the Report	Date of submission of the Report
1	2	3
	1952-53	
	A—*Initial tariff inquiries* :	
1	Protection to the woollen hosiery industry	30-6-1952
2	Protection to the ball bearing and steel balls industry	28-8-1952
3	Protection to the power and distribution transformers industry	15-10-1952
4	Protection to the flax goods industry	6-2-1953
	B—*Repeat tariff inquiries* :	
1	Continuance of protection to the motor vehicle battery industry	15-5-1952
2	Continuance of protection to the hydroquinone industry	15-9-1952
3	Continuance of protection to the aluminium industry	11-11-1952
4	Continuance of protection to the glucose industry	31-3-1953
	C—*Review inquiries* :	
..	..	..
	D—*Price inquiries* :	
1	Retention of prices of steel produced by the Mysore Iron and Steel Works, Bhadravati	21-4-1952
2	Fair retention prices of steel produced by the Steel Corporation of Bengal Ltd	29-8-1952
3	Revision of fair prices of super-phosphate for the year 1952	17-9-1952
4	Revision of prices raw rubber	23-9-1952
5	Review of retention prices of tinplate produced by the Tinplate Compnay of India Ltd.	24-9-1952
6	Conversion charges for bars and rods and the fair retention prices for electric furnace billets produced by the Registered Re-rollers	4-12-1952
7	Fair retention prices of steel produced by the Tata Iron and Steel Co. Ltd.	8-12-1952
	E—*Special inquiries* :	
1	Fair ratio between the ordinary shares of the Steel Corporation of Bengal Ltd. and the Indian Iron & Steel Co. Ltd.	23-10-1952
2	Reduction of import duty on meta-aminophenol used in the manufacture of para-aminosalicylic acid	31-12-1952

1	2	3
	1953-54	
	A—*Initial tariff inquiries* :	
1	Protection to the automobile industry	25-4-1953
2	Protection to the titanium dioxide industry	1-8-1953
	B—*Repeat tariff inquiries* :	
1	Continuance of protection to the Wood screws industry	7-4-1953
2	Continuance of protection to the Dry Battery Industry	16-4-1953
3	Continuance of protection to the Hydroquinone industry	26-5-1953
4	Continuance of protection to the Plywood and Teachests industry	28-5-1953
5	Continuance of protection to the Pencil industry	6-7-1953
6	Continuance of protection to the Sericulture industry	10-7-1953
7	Continuance of protection to the Calcium Lactate industry	31-7-1953
8	Continuance of protection to the Fountain Pen ink industry	8-9-1953
9	Continuance of protection to the Buttons industry	29-9-1953
10	Continuance of protection to the Ferro-silicon industry	30-10-1953
11	Continuance of protection to the Coated Abrasives industry	19-1-1954
12	Continuance of protection to the Sago Industry	5-2-1954
13	Continuance of protection to the Preserved Fruits Industry	16-2-1954
14	Continuance of protection to the Bichromates industry	10-3-1954
	C—*Review inquiries* :	
..	..	..
	D—*Price inquiries* :	
1	Fair retention prices of steel produced by the Tata Iron & Steel Co. Ltd.	29-5-1953
2	Revision of cement prices	20-7-1953
3	Revision of retention prices of Tinplate for 1952	16-12-1953
4	Fair retention prices of steel produced by the Indian Iron and Steel Co. Ltd.	4-2-1954
	E—*Special inquiries* :	
	Treatment of colliery block for determining the retention prices of steel	10-2-1954
	1954-55	
	A—*Initial tariff inquiries* :	
1	Protection to the automobile leaf spring industry	11-8-1954
2	Protection to the caustic soda and bleaching powder industry	6-9-1954
3	Protection to the automobile sparking plug industry	6-9-1954
4	Protection to the dyestuff industry	13-10-1954

1	2	3
	1954-55 (*contd.*)	
	A—*Initial tariff inquiries* (contd.):	
5	Protection to the automobile hand tyre inflators industry . .	14-12-1954
6	Protection to the engineer's steel files industry	4-3-1955
7	Protection to the diesel fuel injection equipment industry . .	15-3-1955
	B—*Repeat tariff inquiries* :	
1	Continuance of protection to the Hurricane Lanterns industry .	3-5-1954
2	Continuance of protection to the Bicycle industry . . .	11-5-1954
3	Continuance of protection to the Sheet Glass industry . .	18-5-1954
4	Continuance of protection to the Electric Brass Lamp holders industry	21-6-1954
5	Continuance of protection to the Cocoa Powder and Chocolate industry	30-6-1954
6	Continuance of protection to the Antimony industry . . .	27-7-1954
7	Continuance of protection to the Cotton and Hair Belting Industry .	30-7-1954
8	Continuance of protection to the Cotton Textile Machinery industry	23-8-1954
9	Continuance of protection to the Zip Fasteners industry . .	6-9-1954
10	Continuance of protection to the Sewing Machine industry . .	8-10-1954
11	Continuance of protection to the Stearic and Oleic Acids industry	22-10-1954
12	Continuance of protection to the Pickers industry . . .	1-11-1954
13	Continuance of protection to the Oil Pressure Lamps industry .	2-11-1954
14	Continuance of protection to the Machine Screws industry . .	9-2-1955
15	Continuance of protection to the Soda Ash industry . . .	16-2-1955
16	Continuance of protection to the Grinding Wheels industry . .	19-2-1955
17	Continuance of protection to the Calcium Chloride industry .	2-3-1955
18	Continuance of protection to the Artificial Silk and Cotton and Artificial Silk mixed Fabrics Industry	10-3-1955
19	Continuance of protection to the Titanium dioxide industry .	11-3-1955
20	Continuance of protection to the Electric Motors industry . .	23-3-1955
21	Continuance of protection to the Hydroquinone industry . .	25-3-1955
	C—*Review inquiries* :	
	.. .. ..	
	D—*Price inquiries* :	
	Revision of retention prices of Tinplate	29-6-1954
	E—*Special inquiries* :	
	.. .. ..	
	1955-56	
	A—*Initial tariff inquiries* :	
1	Protection/assistance to the piston assembly (pistons, piston rings and gudgeon pins) industry	1-6-1955
2	Protection/assistance to the isonioetinic acid hydrazide (isoniazid) industry	30-8-1955
3	Protection/assistance to the calcium carbide industry . . .	27-2-1956

1	2	3
	1955-1956 (*contd.*)	
	B—*Repeat tariff inquiries* :	
1	Continuance of protection/assistance to the Sodium Thiosulphate, Sodium Sulphite and Sodium Bisulphite industry . . .	10-6-1955
2	Continuance of protection/assistance to the Starch industry . .	8-7-1955
3	Continuance of protection /assistance to the Glucose industry .	9-7-1955
4	Continuance of protection/assistance to the Automobile Sparking Plugs industry	7-9-1955
5	Continuance of protection/assistance to the Alloy, Tool and Special Steel industry	10-9-1955
6	Continuance of protection/assistance to the Coated Abrasives industry	30-9-1955
7	Continuance of protection/assistance to the Steel Baling Hoops industry	3-10-1955
8	Continuance of protection/assistance to the Motor Vehicle Battery industry	13-10-1955
9	Continuance of protection/assistance to the Aluminium industry .	13-10-1955
	C—*Review inquiries* :	
1	Review of Calcium Lactate industry	March 1956
2	Review of Sago industry	March 1956
	D—*Price inquiries* :	
1	Fair prices of Rubber Tyres & Tubes	25-6-1955
2	Retention prices of steel produced by Tata Iron and Steel Co. Ltd. and Indian Iron & Steel Co. Ltd.	30-11-1955
3	Fair retention prices (ex-works) of pig iron produced by the Indian Iron and Steel Co. Ltd.	8-2-1956
4	Fair retention prices (ex-works) of pig iron and steel produced by the Mysore Iron and Steel Works, Bhadravati	12-3-1956
	E—*Special inquiries*:	
..	..	..
	1956-1957	
	A—*Initial in inquiries*	
..	..	..
	B—*Repeat tariff inquiries*	
1	Continuance of protection/assistance to the Power and Distribution Transformers Industry.	10-4-1956
2	Continuance of protection/assistance to the Plastics (phenol, formaldehyde moulding power, electrical accessories and buttons) industry	13-4-1956
3	Continuance of protection/assistance to the Ball Bearing industry	14-5-1956
4	Continuance of protection/assistance to the Antimony industry	16-11-1956

1	2	3
	1956-57 (*contd.*)	
	B—*Repeat tariff inquiries*: (contd.)	
5.	Continuance of protection/assistance to the Cocoa powder & chocolate industry	15-12-1956
6.	Continuance of protection/assistance to the Electric Brass Lamp Holders industry	22-12-1956
7.	Continuance of protection/assistance to the Cotton and Hair Belting industry	9-1-1957
8.	Continuance of protection/assistance to the Calcium Lactate industry	15-2-1957
9.	Continuance of protection /assistance to the Bicycle industry	22-3-1957
10.	Continuance of protection /assistance to the Woodscrews industry	30-3-1957
	C—*Review inquiries* :	
1.	Review of sheet glass industry	April 1956
2.	Review of Matches industry	July-Sept. 1956
	D—*Price inquiries* :	
1.	Prices of Locomotives and Boilers produced by Tata Locomotive and Engineering Co. Ltd.	29-9-1956
2.	Prices of Automobiles	6-10-1956
3.	Revision of retention Prices of steel produced by the Tata Iron and steel Co.Ltd., and the Indian Iron and Steel Co. Ltd.	19-2-1957
	E—*Special inquiries* :	
..	..	..
	1957-58	
	A—*Initial tariff inquiries*:	
..	..	..
	B—*Repeat tariff inquiries* :	
1.	Continuance of protection to the Preserved fruit industry . .	13-4-1957
2.	Continuance of protection to the Sago industry	14-5-1957
3.	Continuance of protection to the Automobile Hand Tyre Inflators Industry	20-5-1957
4.	Continuance of protection to the Piston Assembly Industry . .	20-5-1957
5.	Continuance of protection to the Grinding Wheels Industry . .	1-6-1957
6.	Continuance of protection to the Titanium Dioxide Industry .	3-7-1957
7.	Continuance of protection to the Plywood and Teachests Industry .	13-7-1957
8.	Continuance of protection to the Diesel Fuel Injection Equipment Industry	26-7-1957
9.	Continuance of protection to the Sheet Glass Industry . .	2-8-1957
10.	Continuance of protection to the Machine Screw Industry . .	12-8-1957
11.	Continuance of protection to the Oil Pressure Lamps Industry .	31-8-1957
12.	Continuance of protection to the Stearic and Oleic Acids Industry .	21-9-1957
13.	Continuance of protection to the Automob le Leaf Spring Industry	28-9-1957
14.	Continuance of protection to the Cotton Textile Machinery (Spinning Ring Frames, Spinning rings, spindles, fluted rollers and looms) Industry	10-10-1957
15.	Continuance of protection to the Non-farrous Metals Industry .	16-10-1957
16.	Continuance of protection to the Bare Copper Conductors and A. C. S. R. Industry	17-10-1957

1	2	3
	1957-58 (*contd.*)	
	C—*Review inquiries*:	
1.	Review of protection to the engineer's steel files industry .	24-3-1958
	D—*Price inquiries* :	
	Revision of prices payable to Cement producers . . .	28-2-1958
	E—*Special inquiries*:	
	1958-59	
	A—*Initial, tariff inquiries*:	
1.	Protection/assistance to the para-amino salicylic acid industry .	24-5-1958
	B—*Repeat tariff inquiries* :	
1.	Continuance of protection to the Bichromates industry . .	14-4-1958
2.	Continuance of protection to the Calcium Carbide industry and fair ex-works selling price of Calcium Carbide produced by Birla Jute Mfg. Co. Ltd.	24-5-1958
3.	Continuance of protection to the Antimony Industry . . .	11-8-1958
4.	Continuance of protection to the Cocoa powder and chocolate industry	11-8-1958
5.	Continuance of protection to the Soda Ash industry . . .	3-9-1958
6.	Continuance of protection to the Sericulture industry . .	18-9-1958
.	Continuance of protection to the Artificial Silk and Cotton and Artificial Silk Mixed Fabrics indusrty	24-9-1958
8.	Continuance of protection to the Caustic Soda and Bleaching Powder industry	27-9-1958
9.	Continuance of protection to the Aluminium Industry .	3-10-1958
10.	Continuance of protection to the Electric Motor Industry . .	16-10-1958
	C—*Review inquiries*:	
..	..	..
	D—*Price inquiries* :	
1.	Revision of retention price of steel produced by TISCO and IISCO	24-5-1958
2.	Revision of retention prices of Steel and Pig Iron and conversion charges and fair retention prices for 1/4" and 3/16" rods produced by the Mysore Iron and Steel Works, Bhadravati . . .	13-6-1958
	E—*Special inquiries* :	
..	..	..
	1959-60	
	A—*Initial tariff inquiries* :	
..	..	..

1	2	3
	1959-60 (*contd.*)	
B—*Repeat tariff inquiries* :		
1	Continuance of protection to the Sago Industry	12-6-1959
2	Continuance of protection to the Hydroquinone industry . .	20-6-1959
3	Continuance of protection to the Machine Screw industry . .	23-7-19
4	Continuance of protection to the Grinding Wheel industry . .	31-7-1959
5	Continuance of protection to the Automobile Leaf Spring industry	17-8-1959
6	Continuance of protection to the Cotton and Hair Belting industry	13-8-1959
7	Continuance of protection to the Diesel Fuel Injection Equipment industry	4-9-1959
8	Continuance of protection to the Non-ferrous Metal industry .	24-10-1959
9	Continuance of protection to the Plastics industry (P.F. Moulding Powder and Buttons)	29-10-1959
10	Continuance of protection to the Stearic and Oleic Acid industry	30-10-1959
C—*Review inquiries* :	..	..
D—*Price inquiries* :		
1	Fair selling price of Acetata Yarn	6-4-1959
2	Fair ex-works and Fair Selling Prices of Paper and Paper Board .	8-6-1959
3	Cost structure of Sugar and fair prices payable to the Sugar industry	12-9-1959
4	Fair retention prices of Ammonium Sulphate produced by Sindri Fert. and Chemicals Ltd.	19-12-1959
E—*Special inquiries* :		
	Levy of interest on special advances to TISCO AND ISCO .	23-5-1959
	1960-61	
A—[illegible] *tariff inquiries* :		
..	..	..
B—*Repeat tariff inquiries* :		
1	Continuance of protection to Automobile Hand Tyre Inflator Industry	19-4-1960
2	Continuance of protection to Wood Screws Industry . . .	19-4-196
3	Continuance of protection to Calcium Lactate Industry . .	5-5-1960
4	Continuance of protection to Engineers' Steel Files industry .	26-5-1960
5	Continuance of protection to Piston Assembly Industry . .	26-5-1960
6	Continuance of protection to Automobile Sparking Plug Industry .	20-7-1960

1	2	3
	1960-61 (*contd.*)	
7	Continuance of protection to Power and Distribution Transformers Industry	23-7-1960
8	Continuance of protection to Sheet Glass Industry	22-8-1960
9	Continuance of protection to Plywood and Teachests Industry	24-9-1960
10	Continuance of protection to Aluminium Industry . . .	14-10-1960
11	Continuance of protection to Bare Copper Conductors, A.C.S.R. & A.A.C. industry	15-10-1960
12	Continuance of protection to Ball Bearings Industry	31-10-1960
13	Continuance of protection to Cotton Textile Machinery Industry	1-11-1960
14	Continuance of protection to Bicycles Industry	2-11-1960
C—*Review inquiries* :		
	.. ..	..
D—*Price inquiries* :		
1	Revision of raw rubber prices	12-5-1960
2	Fair prices payable for ferro-silicon produced by Mysore Iron and Steel Works, Bhadravati	13-1-1961
E—*Special inquiries* :		
	.. ..	..
	1961-62	
A—*Initial tariff inquiries* :		
	.. ..	..
B—*Repeat tariff inquiries* :		
1	Continuance of protection to tiranium-dioxide industry . .	19-4-1961
2	Continuance of protection to electric motors industry . . .	24-4-1961
3	Continuance of protection to calcium carbide industry . .	29-4-1961
4	Continuance of protection to Soda Ash industry . . .	30-9-1961
5	Continuance of protection to caustic soda industry . . .	9-10-1961
C—*Review inquiries* :		
	Review of antimony industry	9-3-1962

1	2	3
	1961-62—(*contd.*)	
	D—*Price inquiries** :	
1	Revision of prices of Cement	26-8-1961
2	Revision of fair selling price of caustic soda, chlorine, hydrochloric acid and bleaching powder	23-11-1961
3	Pricing policy of manufacturers of fire fighting equipment .	14-2-1962
	E—*Special inquiries* :	
	Revision of price linking formula for sharing sugar price . .	8-6-1961
	1962-63	
	A—*Initial tariff inquiries* :	
	B—*Repeat tariff inquiries* :	
1	Continuance of protection to stearic acid and oleic acid industry .	26-6-1962
2	Continuance of protection to sheet glass industry . . .	29-6-1962
3	Continuance of protection to non-ferrous metals industry . .	24-7-1962
4	Continuance of protection to ball bearings industry . . .	31-8-1962
5	Continuance of protection to plastics (F.P. moulding powder) industry	5-9-1962
	C—*Review inquiries* :	
	Review of protection to Dyestuff industry	12-12-1962
	D—*Price inquiries* :	
1	Fair ex-works retention prices of steel for the period 1st April 1960 to 31st March, 1962	17-4-1962
2	Fair ex-works retention prices of pig iron for the period, 1st April 1960 to 31st March, 1962	17-4-1962
3	Fair prices of woollen yarn fabrics and manufactures . .	4-6-1962
4	Fair selling prices of sheet glass	5-10-1962
5	Fair prices of cotton yarn and cloth	21-11-1962
6	Prices of electric lamps and flourescent tubes	13-3-1963

*The Commission submitted combined Reports covering both protection and price aspects in respect of (i) soda ash, (ii) calcium carbide.

1	2	3
	1962-63—(*contd.*)	
E—*Special inquiries* :		
	..	..
	1963-64	
A—*Initial tariff inquiries* :		
..	..	..
B—*Repeat tariff inquiries* :		
1	Continuance of protection to Engineers' Steel files industry	15-4-1963
2	Continuance of protection to Automobile spark plugs industry	15-4-1963
3	Continuance of protection to diesel fuel injection equipment industry	22-4-1963
4	Continuance of protection to Piston Assemly industry	27-5-1963
5	Continuance of protection to Electric Motors industry	31-7-1963
6	Continuance of protection to Antimony industry	31-7-1963
7	Continuance of protection to Power and distribution transformers industry	12-8-1963
8	Continuance of protection to Bicycles industry	7-9-1963
9	Continuance of protection to Sericulture industry	9-9-1963
10	Continuance of protection to Cotton textile machinery industry	16-9-1963
11	Continuance of protection to A.C.S.R. and A.A.C. industry	19-9-1963
12	Continuance of protection to Safety matches industry	31-12-1963
C—*Review inquiries* :		
..	..	..
D—*Price inquiries* :		
1	Prices of preserved fruits and vegetables	13-11-1963
2	Fair selling prices of safety matches	31-12-1963
E—*Special inquiries* :		
..	..	..
	1964-65	
A—*Initial tariff inquiries*:		
..	..	..
B—*Repeat tariff inquiries* :		
1	Continuance of protection to the Titanium Dioxide industry	2-4-1964
2	Continuance of protection to the Calcium Carbide industry	14-4-1964
3	Continuance of protection to the Soda Ash industry	15-6-1964
4	Continuance of protection to the Caustic Soda Industry	3-8-1964
5	Continuance of protection to the Aluminium industry	18-9-1964
6	Continuance of protection to the Dyestuffs industry	5-10-1964
C—*Review inquiries* :		
..	..	..
D—*Price inquiries* :		
..	..	..
E—*Special inquiries* :		
..	..	..

1	2	3
	1965-66	
	A—*Initial tariff inquires* :	
..	..	..
	B—*Repeat tariff inquiries* :	
1.	Continuance of protection to the Sparking plugs industry . .	3-4-1965
2.	Continuance of protection to the Power and Distribution Transformers industry	27-4-1965
3.	Continuance of protection to the Electric Motor Industry .	3-6-1965
4.	Continuance of protection to the Dyestuff Industry (Supplementary Report)	29-6-1965
5.	Continuance of protection to the Non-ferrous Metals Industry .	30-6-1965
6.	Continuance of protection to the Sheet Glass and Figure Glass Industry and grant of protection to Wired flat glass Industry .	4-9-1965
7.	Report on the continuance of protection to the Ball Bearings Industry and grant of protection to other Rolling Bearings . .	30-9-1965
	C—*Review inquiries* :	
..	..	..
	D—*Price inquiries* :	
1.	Revision of ceiling prices of alcohol	6-10-1965
2.	Report on the price structure of Beta Oxy Napthoic acid . .	31-3-1966
	E—*Special inquiries*:	
..	..	..
	1966-67	
	A—*Initial tariff inquiries* :	
..	..	..
	B—*Repeat tariff inquiries*:	
1.	Continuance of protection to the piston assembly industry . .	10-5-1966
2.	Review of antimony industry	10-5-1966
3.	Continuance of protection to the A.C.S.R. and A.A.C. industry .	30-7-1966
4.	Continuance of protection to the Cotton textile machinery industry	6-9-1966
5.	Continuance of protection to the sericulture industry . . .	13-9-1966
	C—*Review inquiries* :	
..	..	..
	D—*Price inquiries* :	
1.	Price structure of catguts	5-4-1966
2.	Fair selling price of antimony metal	27-6-1966
	E—*Special inquiries* :	
..	..	..

APPENDIX VIII

[*Vide* Paragraph 19]

List of studies undertaken by the office of the Tariff Commission during 1952-53 *to* 1966-67.

(*A*) *List of studies undertaken on reference from Government or other organisations*

Year	Subject
1959-60	(i) Question of fair rate of return to an industry. (ii) Estimated value of production in protected industries for the years 1951, 1954, 1957 and 1958. (iii) Disruption of the local markets for certain protected commodities due to sudden influx of imports.
1960-61	(iv) Rate of return on capital and control of prices. (v) Suitable methods of remunerating producers of commodities. (vi) Comparative studies on effect of return based on gross block and capital employed respectively.
1961-62	(vii) Transport aspects of protected industries and also of such othe industries as had been the subject matter of the Commission's price inquiries.
1962-63	(viii) Practice followed by the Tariff Commission in treating bonus, development rebate and rehabilitation allowance for purposes of computation of costs and fixation of fair retention prices.
1963-64	(ix) Reply to ECAFE questionnaire on import substitution and export diversification in relation to protected industries. (x) Terms for grant of protection to industries. (xi) Scheme of protection of Indian industries.
1965-66	Reply to the detailed questionnaire from the Social Service Research Committee of the Planning Commission regarding the comprehensive review of present state of social service research in country.

NOTE:--All the above subjects except (vii), (viii) and (xi) were referred to the Commission by Government. Subject against (vii) was handled by the Commission at the instance of the Committee on Transport Policy & Co-ordination of Planning Commission, that against (viii) at the request of the Bonus Commission and that against (xi) at the request of the High Commission of India in Trinidad.

(B) *List of Research Notes prepared for the Commission's use.*

Year	Subject of the note
1952-53	(i) Review of whole sale and retail prices of protected commodities during July, 1951—Feb. 1952.
	(ii) Terms of reference and procedure of U. K. Monopolies and Restrictive Practices Commission.
	(iii) Incidence of increase in the railway freight on coal/coke on the fair ex-works costs of production of certain protected industries.
1953-54	(i) Study of most suitable 'Year' for adoption in the Commission's inquiries.
	(ii) A preliminary study of certain aspects of depreciation and rate of return on capital.
	(iii) Study of the Reports of the U. K. Monopolies and Restrictive Practices Commission.
1954-55	(i) Practices adopted by tariff making authorities in other countries for purposes of granting allowance for freight disadvantage in determining the quantum of protection.
	(ii) Structure and development of the aluminium industry in Canada and the U. S. A.
	(iii) Theoretical implications of oligopolistic organisation of industries and its effects on prices .
	(iv) Statistical period adopted in different countries and in different Ministries of the Government of India.
1955-56	(i) A note clarifying the working of the licensing committee set up under the industries (Development and Regulation) Act in connection with the Schemes approved by it for the establishment of new units or substantial expansion of old ones for protected industries.
	(ii) A statement showing capital invested, landed costs, fair selling price and annual output—in respect of all the protected industries.
	(iii) Analysis of Balance Sheets of companies.
	(iv) Note on relative movement of prices of raw rubber and tyres in India and in Foreign countries during the period 1946-1954.
	(v) Terms of royalty in some protected industries having foreign collaboration.
	(vi) Study of various observations made in regard to the working of the import control policy pertaining to protected industries during the proceedings of the Imoprt & Export Advisory Councils held in May 1955.
	(vii) Inter-state regulation of commercial motor vehicles in India.
	(viii) Inter-state taxation of motor vehicles in India.
	(ix) Rates of electricity and their cost per unit of out-put etc. in the case of selected protected industries.
	(x) Capital and the average daily number of workers employed in some protected industries.
	(xi) Effect of Finance Bill 1956-57 on protected industries.
1956-57	(i) Study into contemporary policies and techniques of tariff making in foreign countries.
	(ii) Examination of various tariff legislations and working of tariff making bodies in the U. S. A., U. K. and Australia.

Year	Subject of the note
1960-61	(i) Concept of capital and the role of return on capital.
	(ii) Price fixation, including a study on the concept of capital employed, adopted by the Monopolies and Restrictive Practices Commission in the United Kingdom.
	(iii) Some featuers of current pricing in U.S.A and U. K.
	(iv) International marketing of raw wool.
	(v) Criteria for selection of representative firms in the Cotton Textile Industry
	(vi) System of payment of cane prices in foreign countries.
	(vii) Some problem of price fixation relating to the Cotton Textile Industry in India.
	(viii) Progress of protected industries *vis-a-vis* general industrial sector.
1961-62	Financial position of various units in the Cement Industry.
1964-65	(i) Profits in the protected industries.
	(ii) A summary of the findings of a Research study on Trend of profits in the Protected Sector during 1952-62.
1965-66	(i) Analysis of cost trends in antimony industry.
	(ii) Analysis of cost trends in piston assembly industry.
	(iii) Under-utilisation of capacity in piston assembly industry.
1966-67	(i) Analysis of cost trends in A. C. S. R. and A. A. C. industry.
	(ii) Under-utilisation of capacity in A. C. S. R. and A. A. C. industry.
	(iii) Under-utilisation of capacity in Sericulture industry.
	(iv) Extent of import substitution in Sericulture industry.
	(v) Extent import substitution in Cotton Textile Machinery industry.
	(vi) Under-utilisation of capacity in cotton Textile Machinery.
	(vii) Analysis of cost trends in Sericulture industry.

(C) *Miscellaneous case studies*

Year	Subject
1952-53	(1) Examined representations received in regard to the working of protection of six protected industries *viz.*, plywood and teachest, artificial silk, soda ash, bicycle, fountain pen ink and pencils on reference from Government.
	(2) Joint representation of Tata Chemicals and Dhrangadhra Chemicals regarding regulation of imports.
	(3) Revision of the Indian Trade classification in accordance with the Standard International Trade Classification.
	(4) Draft Import Trade Control Schedule proposed by the Ministry of Commerce & Industry.
1953-54	(1) Observations made in Parliament regarding protected industries.
1957-58	(1) Drawback of import duty on imported soda ash used in the manufacture of glass and glassware as well as bichromates exported out of India.
	(2) Imposition of import duty on aluminium scrap.
	(3) Drawback of import duty on dextrose used in the manufacture of provisions exported out of India.
	(4) Re-imposition of customs duty on dumnut and crozonut used as raw materials in the manufacture of buttons.
	(5) Continuance of concession of duty-free imports of insulators (not filled with central electrodes) used in the manufacture of automobile sparking plugs.
1958-59	(1) Continuance or otherwise of the concession of duty-free imports of emery, synthetic abrasive grains and kraft paper required by the coated abrasive industry.
	(2) Request of National Engineering Industries Ltd., Jaipur for duty-free import of high carbon chromium steel tubes and forged rings required for the manufacture of ball bearings.
	(3) Examination of the cost of production and selling price of titanium dioxide produced by Travancore Titanium Products Ltd., Trivandrum.
	(4) Continuance of the concession of duty-free imports of insulators (not fitted with central electrodes) used in the manufacture of automobile sparking plugs.
	In connection with Parliament question the following information and explanatory notes were furnished to the Ministry of Commerce and Industry:
	(a) A note on working of protected industries during 1952—1957 with particular reference to the profits made by these industries.
	(b) Statement showing the financial position of the units in protected industries managed by the Houses of Birlas and Tatas for 1956 and 1957, together with comments thereon.
	(c) Statement showing the financial position of the various units in the protected industries (together with comments) for 1956 and 1957.

Year	Subject
1959-60	(1) Representation of the tyre industry for an increase in the price of rubber tyres and tubes.
	(2) Increase in the selling prices of sheet glass effected by Hindustan-Pilkington Glass Works, Calcutta.
	(3) Continuance of concessional rate of duty applicable to imported alumina.
	(4) Waival of import duty on crude antimony claimed by Star Metal Refinery (P) Ltd., Bombay.
	(5) Examination of production costs of silk reeled in Mysore.
	(6) Fair price of cement payable to Dalmia Cement (Bharat) Ltd.
	(7) Representation of Travancore Titanium Products Ltd. for an increase in the selling price of titanium dioxide.
1960-61	(1) Prices to be fixed for different packings of stable bleaching powder and the price payable for unstable bleaching powder.
	(2) Re-fixation of price of paper paybale to West Coast Paper Mills Ltd.
	(3) Representation of Metal Corporation of India regarding price of zinc.
	(4) Representation of Dalmia Cement regarding cement prices.
	(5) Packing of cement in second hand jute bags.
	(6) Continuance of exemption of hair and woollen yarn exclusively used for manufacture of hair belting from payment of customs duty.
	(7) Suggestions of the Federation of Indian Chambers of Commerce and Industry in its memorandum to Government on the question of price fixation and return on capital.
1961-62	(1) Prices of zinc payable to Metal Corporation of India beyond 31-3-1961.
	(2) Imposition of enhanced customs duty on steel bars and rods imported for use in the manufacture of engineers' steel files.
	(3) Realisation from sales of sulphate of ammonia taken into account in fixing the retention price of steel for the two main steel producers.
	(4) Proposal for restoration of duty on aluminium scrap to its original level of 25 per cent *ad volorem.*
	(5) Classification of poster papers.
	(6) Continuance of exemption of hair and woollen yarn exclusively used for the manufacture of hair belting from payment of customs duty.
1962-63	(1) Increase in the selling price of titanium dioxide paybale to Travancore Titanium Products as a result of an increase in the excise duty on raw material.
	(2) Selling prices charged by Star Metal Refinery for antimony.
	(3) Suitable wordings for creation of separate I.C.T. items for vehicular diesel engines and stationary diesel engines upto 30 H.P.
	(4) Abolition of import duty and excise duty on steel bars used by National Engineering Industries Ltd., Jaipur for the manufacture of ball bearings.
	(5) Increase in the retention price of cement for Sone Valley Portland Cement Co. Ltd., Calcutta as a result of the Supreme Court's decision making it obligatory for the Company to pay gratuity to its employees.
	(6) Re-imbursement claim of Dalmia Dadri Cement Ltd., on account of withdrawal charges of cement wagons during the period, 1st July 1956 to October 1962.

Year	Subject
1962-63—*contd.*	(7) Representation received from Hindustan Aluminium Corporation Ltd., Bombay regarding import duty on E.C. grade aluminium.
	(8) Extension of the existing price and distribution arrangement for metallic zinc produced by Metal Corporation of India.
	(9) Representation received from Indo-Asahi Glass Co. Ltd., Calcutta regarding fixation of prices of sheet glass.
	(10) Proposal for amending I.C.T. item No. 82(3) pertaining to p.f. moulding powder.
	(11) Claim for payment of siding charges for cement wagons by certain cement manufactures for the price period ended 31st October 1961.
	(12) Question of an upward revision of selling prices of titanium dioxide as a result of increases in the cost of raw materials, wages and salaries, export losses etc. as claimed by Travancore Titanium Products Ltd.
1963-64	(1) Margin to be paid to the retailers of sheet glass.
	(2) Zinc prices payble to Metal Corporation of India.
	(3) Re-arrangement of description of all the iron and steel items under I.C.T. item No. 63 with a view to making the tariff simpler and up-to-date.
	(4) Exemption of customs duty in respect of electrical conductor grade billets for manufacture of A.C.S.R. and A.A.C.
	(5) Siding charges payable to Bagalkot Cement Co. Ltd.
	(6) The question of raising protective duty from 10% to 15% on item 72(34) of I.C.T. schedule in order to remove a tariff anomaly.
	(7) Incidence of higher duty on electrical sheet steel on the prices of electric motors and transformers.
	(8) Extension of the concessional rate of duty to 3:3 Dichlorobenzidine dihydrochloride.
	(9) Scope of the term "Dimethylamiline" which already enjoys duty concession.
1965-66	(1) Question of grant of concessional duty to certain dye intermediates.
	(2) Exemption of certain protected commodities from enforcement of restriction on clearance of excisable goods.
1966-67	(1) Composition, exact nature and identity of Para-toludine-O-Sulphonic Acid.
	(2) Exemption from Central excise duty on Aluminium used for the production of bus-bars, etc. by Madras Aluminium Co.
	(3) Increase in the selling prices of titanium dioxide effected by the producer, Travancore Titanium Products Ltd.
	(4) Extension of duty concession to alkali metal salt of rhoduline acid.

APPENDIX IX

(*Vide* paragraph 39)

Names of 12 protected industries selected for a detailed examination by the Review Committee, reasons for their selection and other details.

The Tariff Commission has recommended grant or continuance of protection to more than 50 industries since 1952. However, for a detailed study regarding the effect of the implementation of Tariff Commission's recommendations on the growth and development of protected industries we have selected some of these industries which have enjoyed protection for 10 years or more. There were 24 industries enjoying protection in early 1962 i.e. ten years after the establishment of the Tariff Commission. Of these, we have selected 12 industries for our detailed study. Names of the industries which were enjoying protection at the beginning of 1962 and those which have been selected for our study are given below:—

Industries enjoying protection at the beginning of 1962	Industries selected for studying the effect of Tariff Commission's recommendations on the growth and development of protected industries
(1)	(2)
A—Industries manufacturing Chemical and allied products	
1. Calcium Carbide	1. Calcium Carbide
2. Soda Ash	2. Soda Ash
3. Caustic Soda	3. Caustic Soda
4. Titanium dioxide	4. Dyestuffs
5. Dyestuffs	
6. Matches	
7. P.F. Moulding Powder	
8. Stearic and Oleic Acids	
B—Industries manufaturing Metal Products, Machinery and Transport Equipment	
1. Engineers' Steel Files	1. Engineers' Steel Files
2. Diesel Fuel Injection Equipment	2. Diesel Fuel Injection Equipment
3. Piston Assembly	3. Electric Motors
4. Automobile Spark Plug	4. Ball Bearings
5. Electric Motors	5. Cotton Textile Machinery
6. Power and Distribution Transformers.	6. Bicycles
7. Ball Bearings	
8. A.C.S.R. & A.A.C.	
9. Cotton Textile Machinery	
10. Automobiles	
11. Bicycles	

(1)	(2)
—Basic Metal Industries :	
1. Aluminium	1. Aluminium
2. Antimony	
3. Non-ferrous Metals	
D—Other Industries	
1. Sheet Glass	1. Sheet Glass
2. Sericulture	

Among the chemical industries we have selected 4 out of 8 industries which include caustic soda, soda ash, dyestuffs and calcium carbide. Among the chemical industries which we have not included in our study, titanium dioxide, P. F. moulding powder and stearic and oleic acids do not appear to be very important industries. As far as the match industry is concerned, it had been enjoying indefinite protection since 1928 and the Tariff Commission did not conduct any inquiry into this industry till 1962. We have therefore excluded the match industry from our study. As regards industries manufacturing metal products, machinery and transport equipment we have selected 6 out of 11 industries. The six industries represent various sub-classifications of engineering industries as given in the Tariff Commission's Annual Reports. The Engineers' steel file industry represents industries manufacturing 'metal products except machinery and transport equipment'. Diesel fuel injection equipment, cotton textile machinery and ball bearings represent industries covering 'machinery except electrical machinery' while "electric motors" represent industries covering 'electric machinery apparatus and appliances'. The Bicycle industry represents the transport equipment industries group. Among the basic metal industries we have selected aluminium, one of the most important industries in the group. Among the two industries in the miscellaneous group, we have selected sheet glass. The statement below shows the total number of inquiries undertaken by the Commission into the above 12 industries, the years of the inquiries and the total number of recommendations made by the Commission:—

Name of the Industry	Total No. of inquiries undertaken by Commission since 1952	Years of inquiries	Total No. of recommendations made.
(1)	(2)	(3)	(4)
1. Aluminium	4	1955, 1958, 1960, 1964.	17
2. Ball Bearing	5	1952, 1956, 1960, 1962, 1965.	30
3. Bycycle	4	1954, 1957, 1960, 1963.	38

(1)	(2)	(3)	(4)
4. Calcium Carbide . . .	4	1956, 1958, 1961, 1964.	17
5. Caustic Soda . . .	4	1954, 1958, 1961, 1964.	33
6. Cotton Textile Machinery .	4	1954, 1957, 1960, 1963.	28
7. Diesel Fuel Injection Equipment.	4	1955, 1957, 1959, 1963.	19
8. Dyestuffs	3	1954, 1962, 1964,	34
9. Electric Motors . . .	5	1955, 1958, 1960, 1963, 1965.	41
10. Engineers' Steel File . .	4	1955, 1958, 1960, 1963.	26
11. Soda Ash	4	1955, 1958, 1961, 1964.	27
12. Sheet Glass	5	1954, 1957, 1960, 1962, 1965.	32
	50		342

APPENDIX X

(*Vide* paragraph 43)

A study of the Tariff Commission's recommendations relating to protection and their effect on the growth of protected industries

The wide range of recommendations made by the Tariff Commission, and their effect on the growth of protected industries are reviewed in the succeeding paragraphs, under the six broad headings enumerated in paragraph 38 of the Report. Although, for the sake of convenience, the scope of these six sections had to be restricted to the illustrative study of the selected 12 industries mentioned in Appendix IX the points mentioned therein are generally representative of the ground covered by the Tariff Commission's recommendations in respect of other protected industries also.

1. Installed capacity, production and future expansion.

1.1. In the course of every inquiry the ommission reviews the condition of demand and supply of a protected commodity and if it finds an excess of demand over supply, it generally recommends setting up of a new industrial units or substantial expansion of the existing ones to cover the gap. On the other hand if an excess of supply over demand is expected, the Commission generally advises against licensing of new units or further expansions. Thus in the Commission's 1959 Report on the stearic and oleic acid industry, it was suggested that

> "The establishment of new units for the manufacture of stearic and oleic acids is not desirable and this fact should be taken into account by Government in issuing further licences."

As a result of this recommendation, no new unit has since been licensed specifically for the manufacture of stearic and oleic acids. While investigating into this aspect, the Commission probes into the proper utilisation of existing capacities, possibility of creating new demand, diversification of products, optimum plant size, etc. Concrete illustrations are given below.

Future prospects of an industry

1.2. After inquiring into the aluminium industry in 1955, the Commission recommended that "every plan or scheme envisaging increasing use of aluminium should be carefully examined by the Government." Similarly, in its 1954 Report on the caustic soda industry the Commission recommended that the "Government should take special measures to encourage the development of industries which require large quantities of chlorine". This recommendation was made with a view to enlarging the scope for expansion of the electrolytic caustic soda which was found by the Commission to be severely restricted owing to the then inadequate demand for chlorine. Several chlorine-based industries were subsequently licensed and consumption of chlorine has since gone up substantially. The Commission had also considered the alternative chemical process of causticisation which was found to be uneconomical because of the high cost of indigenous soda ash. It had therefore recommended that "Government should formulate and put into effect as early as

possible an integrated plan for expanding the production of both soda ash and caustic soda". As a follow-up of this recommendation, the Government encouraged integrated schemes for expansion of capacity and installation of new units for producing both soda ash and chemical caustic soda and sanctioned the expansion of capacity at Tata Chemicals, Mithapur and the installation of new units for production of these two chemicals at Porbunder and Bombay.

Issue of optimum plant size

1.3. On the issue of the optimum plant size the Commission has been primarily guided by considerations of effeciency etc. Thus in the case of aluminium, the Commission recognised in 1964 that "since it will be in the national interest to encourage the growth of the large units in this industry, while sanctioning new and increased capacities, Government should keep in view the size of the unit and the desirability of falling in line with the world trend towards expansion of existing smelter capacities." Similarly, in the case of the ball bearings industry, the Commission recommended in 1962 that

> "A screening of small scale units, by the Development Commissioner, Small Scale Industries, is desirable so as to encourage only the development of suitable units—as by and large small units cannot have the facility to make precision products like Ball Bearing".

On the other hand, in the case of the bicycle industry, the Commission in its 1957 Report favoured small ancillary units in the following words: "Certain components such as rims, spokes, chains, free wheels, etc., should be recognised as suitable for development by independent ancillary units and fresh licences for the manufacture of such components should be granted only to independent units which are established specifically for the purpose and not to manufacturers of complete bicycles."

Better utilisation of capacity

1.4. The Commission has consistently emphasised the need for proper and fuller utilisation of existing capacities and in many specific cases, it was recommended that when additional capacity is licensed, prior consideration should be given to the desirability of allowing existing units operating on single shift to switch over to double shift working. In the case of the bicycle industry the Commission had even recommended in 1954 that "the Development Council for the bicycle industry may be asked by Government to examine the possibilities of producers with programmes for manufacture of component parts working in collaboration with one another with a view to exchanging component parts manufactured by them among themselves". The follow-up of this recommendation brought about a very desirable co-ordination amongst manufacturers of bicycle parts and the Commission was informed that T.I. Cycles of India Ltd., had arranged to exchange its free-wheels with chains from Sen-Raleigh Industries of India Ltd. Hind Cycles also reported that it had sold its rims to other manufacturing units, while Sen-Raleigh Industries reported to have supplied spokes, pedals, hubs, chains and saddles to other manufacturers.

Diversification of products

1.5. Diversification of products was recommended by the Commission in several cases primarily to make the producing units economically more viable and also in certain cases to step up the output of specific items in short supply. It may be recalled in this connection that in 1954, in the case of the sheet glass industry, the Commission had recommended that the "industry should endeavour to increase its production of 24 oz. and 32 oz. glass". The production of these two varieties of glass was consequently stepped up from their 1956 levels of 392 thousand sq.

metres and 43.5 thousand sq. metres to the much higher levels of 1974 thousand sq. metres and 890 thousand sq. metres respectively in 1964. Relatively also, production of 24 oz. glass which was only 9% of the total production in 1956 went up to 19.5% in 1964. 32 oz. glass also rose from 1% of the total output to 8.8 during the same period. In the case of aluminium the Commission reviewed and followed up the issue of diversification of products at each of its inquiries. As a result, the Indian Aluminium Company, apart from diversifying its output of aluminium alloy products, expanded its production of coils and foils, which were produced only on an experimental scale before the 1955 inquiry. The Hindustan Aluminium Corporation, subsequent to the 1955 inquiry, reported production of corrugated 3 G sheets for industrial uses etc. Other manufacturers also showed considerable progress in this direction.

1.6. While inquiring into the growth of protected industries the Commission dealt with general aspects such as the need for carrying out periodical survey of ancillary units or for providing expert technical and other assistance to small manufacturing units, and also went into each specific case in detail and recommended particular schemes if found worthwhile. For instance, in the case of 1955 inquiry into the diesel fuel injection equipment, it was recommended by the Commission that "Motor Industries Company Ltd. and Fuel Injections Ltd., should be required to submit a detailed phased programme of manufacture of components for 1955, 1956 and 1957 so that by the end of 1957 it should be possible for them to manufacture all components of pumps and nozzle-holders indigenously". In accordance with this recommendation, both these companies submitted and implemented their manufacturing programmes. Encouragement to indigenous manufacture of component parts and consequentially elimination of dependence on imported parts was followed up in certain other cases also. As a follow up of such recommendation, half yearly phased programmes for manufacture of bicycle components for the years 1955 and 1956 were obtained by the Government from the three recommended units of T.I. Cycles of India Ltd., Sen-Raleigh Industries of India Ltd., and Atlas Cycles. Such a planned development was recommended by the Commission to substitute *ad-hoc* allotments of import quotas for component parts. From the foregoing illustrative review it will be clear how the Commission's ancillary recommendations helped in regulating the installed capacities as well as a balanced growth of output in specific protected industries.

Raw materials

2. Our industrial base had been very weak in the early fifties and almost all industries including protected ones faced various difficulties relating to raw materials. As far as protected industries were concerned they brought such difficulties to the notice of the Commission, which, after the examination made suitable recommendations to overcome them. Since most of such problems were not only faced by protected industries but also by other industries Government generally took up such issues in the perspective of overall industrial development. However, the Commission's recommendations resulted in pinpointing various problems of protected industries before the concerned authorities and organisations and obtaining relief to the extent possible. Implementation of these recommendations has, by and large, helped the protected industries to keep up their production scheduled and to maintain cost of production at a reasonable level. The range of the Commission's recommendations on raw materials and fuel has been very wide and varied but they can broadly be discussed under the following heads:—

(i) Availability of raw materials;

(ii) Transport of raw materials; and

(iii) Cost of raw materials.

Availability of raw materials

2.1.1. Engineering industries were generally dependent on imported raw materials like, special steel, non-ferrous metals, etc. while basic raw materials for most of the chemical industries, except dyestuff industry were available indigenously. Engineering industries have generally been facing the problems of inadequate supplies of imported raw materials as well as indigenous iron and steel while chemical and metallurgical industries have been mainly experiencing shortage of electricity, coal and other items of fuel. The Commission after examining the requirements of each of the protected industries made general as well as specific recommendations for ensuring adequate supplies of different raw materials and fuel. For instance, the Commission recommended higher allocations of special steel for the bicycle industry (1954), mild steel and pig iron for the cotton textile machinery industry (1954). high grade electrode paste for the calcium carbride industry (1958) and steel rods and bars for the electric motor industry (1963). Before recommending increased availability of imported items, the Commission first examined whether such items were available in the country in sufficient quantities and of suitable qualities. Further if during the course of its inquiries, it came across genuine difficulties of any specific units, the Commission suggested suitable remedies to remove them. As an illustration, in the case of Mettur Chemicals, a unit of the caustic soda industry, it recommended in 1954 that the Madras Government should adequately meet the power requirements of this unit. The Commission has also evinced interest in the problems of small scale industries and made appropriate recommendations, as and when necessary. For example, the Commission recommended in 1961 that steps should be taken by concerned authorities to improve arrangements for distribution of raw materials to small units of electric motor industry. As a follow-up of this recommendation, allocation of raw materials for small electric motor manufacturers was considerably increased. The Commission has, however, not restricted, itself to recommending large allocation but has gone much beyond this to locate new sources of raw materials and acceptable substitutes. The illustrations that follow will bear out this point. In the case of the dyestuff industry, where most of the intermediates raw materials were being imported, it recommended in its very first Report (1954) that the coal-tar distillation industry should be established in the country to meet fully the requirements of dyestuff industry. Further, it recommended in the same Report that a plan for expanding the production of inorganic heavy chemicals as a necessary complement to a programme of manufacture of intermediates for the dyestuff industry should be formulated. Similarly, the Commission recommended in 1961 that to safeguard the interests of calcium carbide industry, production of low ash and low phosphorus coke should be undertaken at the Durgapur coke oven plant on a priority basis. To assist the electric motor industry, the Commission had recommended as early as in 1955 that Indian paint and varnish manufacturers should produce enamel base for synthetic enamelled wire. While keeping in view the long range availability of mineral ores required by certain industries, an advance survey was recommended in several cases. Thus, in the case of the aluminium industry, the Commission recommended in 1964 that "As the present known deposits of bauxite are likely to be exhausted by about 1990, urgent steps are required to carry out extensive prospecting work". Again in the case of calcium carbride industry, the Commission recommended that "Intensive efforts should be made to locate further deposits of good quality limestone near existing calcium carbide units".

Transport of raw materials

2.1.2. It was often brought to the notice of the Commission that although raw materials were available in the country, their regular and timely supplies were

hindered on account of inadequate transport facilities. The Commission took up such cases with the Railways and concerned authorities. In the case of the sheet glass industry, the Commission recommended allotment of wagons for coal in 1957 and upgrading of transport classification of raw materials in 1960. In its 1961 Report on calcium carbide industry, the Commission recommended that Government should take steps to connect by road or rail new areas of high grande lime stone with consuming industries. Such recommendations have generally helped in overcoming transport problems faced by the protected industries.

Cost of raw materials.

2.1.3. The cost of raw materials and fuel have generally accounted for the major part of the total cost of production of protected commodities. To prevent the overall cost of production from rising beyond reasonable levels, the Commission has been constantly reviewing cost of raw materials and suggesting appropriate measures to keep them in check. It was found in the case of aluminium industry that a variation of one paisa per KWH of electricity meant a variation of Rs. 200/- in the cost of production of one tonne of aluminium ingot. To keep the price of electricity at constant level, the Commission recommended in 1960 that rates of electricity for aluminium industry should be stable for a fairly long period. In certain other cases concessional rates of customs duties for imported raw materials, reduction in other taxes on indigenous raw materials etc. were recommended. For example, the Commission recommended concessional duty on several imported intermediates for dyestuff industry in 1954, on high carbon steel for the ball bearing industry in 1956 and continuance of duty concession for steel sections for engineers' steel file industry in 1960. These recommendations were accepted by Government and resulted in reduction in the cost of imported raw materials. Similarly, the Commission had made several recommendations regarding indigenous raw materials. In the case of the soda ash industry, the Commission recommended in 1961 that "in the interest of development of soda ash industry in an area which possesses natural advantages, the Government of Gujarat should sympathetically consider lifting or reducing sales-tax on steam purchased by Saurashtra Chemicals from Gujarat Electricity Board." As a result of this recommendation, sales-tax was reduced from 5 per cent to 2 per cent.

Quality control and standardisation of products.

3.1. It may be noted at the outset that the Commission views quality control as an obligation of a protected industry and as such carefully investigates this aspect at the time of every inquiry. In its questionnaire addressed to the consumers, the Commission specifically seeks information about the quality of protected products. If there are any complaints in this regard, the Commission probes into them and makes suitable recommendations for an improvement of the quality of the products. It has not hesitated to criticise an industry generally or a particular unit if it found that the concerned party had neglected quality control or in any other way acted prejudicially to the consumers' interests; for instance, the cotton textile machinery industry was reminded in 1960 that "it is the obligation of a protected industry to strive its utmost to avoid complaints such as supply of machinery in an incomplete condition". Similarly the National Engineering Industries Ltd., Jaipur was asked in 1962, to "enforce quality control and to utilise its electronic testing machines for the purpose for which they were procured". Another illustration is in the Commission's 1956 Report on the calcium carbide industry: "There is need for considerable improvement in the quality of calcium carbide produced by the Birla Jute Manufacturing Company Ltd., who should take immediate steps to improve and maintain uniformly the quality of their product". A follow up of this recommendation

revealed that the company subsequently improved the quality of its product considerably through a three pronged programme of (i) training its workers (ii) appropriate improvement in its equipment and (iii) modifications in the formula of raw materials composition.

3.2. As regards standardisation of products of protected industries, the Commission has relied on the Indian Standards Institution to undertake and expedite formulation of standard specilcations in respect of protected items. Of the 12 industries reviewed under these sections, the following 8 were referred to the I.S.I.

(i) Engineers' steel files.

(ii) Bicycles and components.

(iii) Ball bearings.

(iv) Sheet glass.

(v) Cotton textile machinery.

(vi) Calcium carbide.

(vii) Diesel fuel injection equipment.

(viii) Electric motors.

The Commission not only followed up with the I.S.I. the issue of formulation of standard specifications, but often considered suggestions for improvement in the I.S.I. specifications. For illustration, in the case of Bicycles, the Commission recommended in 1957 that "the Indian Standard Institution should re-examine the tentative standards which have been laid down, in the light of complaints by a section of the industry that they contain superfluous details and create practical difficulties, for producers". The Commission was subsequently informed that standards for chains, frames, rims, handle bars, seat pillar, pedals, hubs and spokes were being revised keeping in view the Commission's recommendations. Similarly in 1958, in the case of calcium carbide industry, the Commission asked the industry to "take up with the I.S.I. the question of revision of those grades and sizes which are not wanted by the consumers". The standard specifications for calcium carbide industry were accordingly revised.

3.3. The following recommendation from the 1960 Report on bicycle industry is also of interested: "Indian Standards Institution should look into the complaints of producers of bicycle components that the fees charged by the institution are excessive". In response to this recommendation, the I.S.I. explained that as the certification mark scheme was to be run on self-supporting basis, it has to cover its expenses by realising an appropriate marking fee. The I.S.I. also clarified that the expenses on this account essentially comprised the charges of independent laboratories for testing the samples of the marketed products drawn both from the licensee factories as also from the open market purchases. The I.S.I. also admitted that no differentiation was made between large scale and small scale manufacturers in matters of levying the marking fees. It assured the Commission that it would follow up with the Government certain proposals for provision of more economical testing facilities for units in the small scale sector.

3.4. In certain cases such as dyestuffs, electric motors, diesel fuel injection equipment, etc., the Commission has recommended setting up of independent quality testing agencies. It was subsequently informed that the Industrial Research Institute at Bangalore was charged with the responsibility of testing diesel fuel injection equipment and the Government Test House at Alipore, Calcutta, was being equipped for carrying out the desired tests on electric motors. Finally the following recommendations from the 1954 Report on the cotton textile machinery and its subsequent follow up will give a fair idea of the Commission's approach to the problem of quality

control: "Government should make suitable arrangements as early as possible to obtain expert technical advice on the quality of textile machinery which the mill industry is required to purchase from indigenous sources by reason of import control. The voluntary co-operation of the textile industry is essential for the healthy growth of the textile machinery industry and this cannot be ensured unless adequate arrangements exist for an impartial investigation of all complaints from the consuming industry about the quality of the indigenous products. A special officer for cotton textile machinery should be appointed in the Ministry of Commerce and Industry to keep a continuous watch over the progress of the cotton textile machinery industry as a whole and to recommend suitable measures to promote its development on sound lines". As a result of this recommendation, an Industrial Adviser was appointed in the office of the Textile Commissioner, Bombay to supervise the working of a specially set-up inspectorate to conduct periodical investigations into the quality of textile machinery manufactured indigenously. Following up its 1954 recommendation further, the Commission noted in its subsequent reports of 1957 and 1960 that the inspectorate of the Textile Commissioner should be strengthened and "arrangements made to bring producers and consumers together at periodical conferences to develop better understanding of the problems confronting both the parties so as to enable manufacturers of textile machinery to improve the quality of their products according to the requirements of the consuming industry". The Commission was subsequently informed that this recommendation was being implemented through an enactment enabling the establishment of a suitable machinery to ensure *inter alia*, the maintenance of quality of the indigenous textile machinery.

Costs, selling prices and distribution.

4.1. One of the major tasks of the affectiveness of protection would be provided by the behaviour of the costs of production in protected industries. The rise of prices in the protected industries was less compared either with the corresponding prices in the non-protected industries or the prices of comparable competitive foreign made products. This is briefly reviewed in the paragraphs that follow.

4.2. *Selling prices*—A statement showing wholesale price indices of specific commodities of 12 protected industries is given at page 136. This statement has been prepared in the Tariff Commission, on the basis of data obtained from the units concerned. To facilitate comparison, official group indices for 'chemicals' and 'engineering' as compiled by the Economic Adviser's office are also incorporated in the statement. It may be observed that although in all cases (except one, namely, diesel fuel injection equipment where the prices are falling), a rising trend in prices is evident, yet the rate of increase in a majority of cases (8 out of 12) is less than that recorded in corresponding group index. It may be mentioned in this connection that whenever the Commission finds a wide margin between the fair *ex*-works and selling prices it recommends the producers to fix the price in fair relation to costs of production. In the case of ball bearing industry (1956), the manufacturing company amended its prices and issued a revised price list. Similarly, in the case of diesel fuel injection equipment industry (1959) significant price reductions were made on the advice from the Commission. The manufacturer of antimony was asked in 1958 to submit special returns to the Commission so that a continuous watch might be kept over the prices of the Star Metal subsequently in (1963) the industry was directed not to make any changes in prices without the approval of Government, and also to reduce the selling agents' commission. When it was found that the prices of certain types of electric motors were high the Commission observed in its Report (1963) that the industry had a special obligation to consumers to relieve their burden at the earliest. In certain cases like Caustic Soda and Ash (1955), the Commission

recommended price regulation by the Government and the prices in question were in consequence subjected to statutory control.

4.3. *Comparison with trends in international prices.*—It is seen from the review of prices of protected industries that although the Commission could not possibly contain the general inflationary pressures, the same were sought to be minimised in the case of protected industries, with the result that as regards engineers' steel files, aluminium, dyestuffs and diesel fuel injection equipment, the rise in internal prices of indigenous products, was less than proportionate to the corresponding increase in c.i.f. prices of competing products. This is clear from the statements on pages 137-139 showing the indigenous *ex*-works cost per unit of specific protected items as percentage to the comparable *c.i.f.* prices for all the years for which the respective items were costed by the Tariff Commission. These tables, if judged, in the light of the circumstances obtaining in each case, which are explained in the following paragraph, will reflect the salutory effects of the continuous review of protected industries.

4.4. In the case of ball bearings the particular unit whose costs are shown, was subject to a prolonged sit-down strike and also a lock-out by the management during the year 1964. In the electric motor industry, the spurt was due to sudden deterioration in the quality of raw material resulting in disproportionately large wastage of materials in the unit. In the calcium carbide industry, the second unit has shown remarkable progress in the short space of 3 years. The first unit suffered because of its location far away from the sources of raw materials and the consequent deterioration of the quality of limestone obtained. In the cotton textile machinery industry, the ring frames enjoyed considerable advantage in relation to the comparable international price. The Commission remarked that comparison of the fair *ex*-works price of Type-A ring frame with the *c.i.f.* price of a Japanese model was basically wrong as the indigenous product was much superior in its construction. But it had done so because thougt not comparable, the Japanese models are the main competitors of the indigenous products. In the case of automatic looms, the progress shown by the unit 'K' over the years 1956 to 1960 could not be maintained as it had changed over to a new model in 1962. But the performance of the unit 'L' even in the first year of production of automatic looms is remarkable. The bicycle industry inherently suffers *vis-a-vis* the foreign producers in that units here have to manufacture almost all the component parts of the bicycle; in the other countries the individual components are usually manufactured on a large scale by separate units, the so called bicycle manufacturer being merely an assembler. In the glass industry not much progress is visible; the main raw material, heavy soda ash, has even now to be imported. One of the main reasons for the sudden adverse trend in the last year is the rise in raw material costs and increased wastage. In the case of one of the units, the latter factor is connected with the complete change over of the processes of manufacture. As regards caustic soda, while internationally this has become almost a bye-product of chlorine based industries, the Indian industry has not yet been able to find a suitable outlet for all the chlorine produced the cost of which continues to be loaded on the cost of caustic soda.

4.5. *Distribution system.*—The underlying objective of the Commission while examining the selling system and selling prices is to see that manufacturers in protected industries do not take undue advantage of protection and exploit the consumer by charging high prices or by creating artificial scarcity. The recommendations made in this connection aim at keeping the consumers well informed (for example electric motors industry 1955), providing the adequate stocks and expeditious delivery (as in the cases of ball bearing—1952 and 1956; diesel fuel injection equipment—1955)

and ensuring efficient after-sales service. Further, in the case of soda ash industry the Commission observed that manufacturers should exercise effective control over the selling prices charged by their agents and dealers. Consequently, manufacturers of soda ash took suitable steps to improve their selling organisation. In the case of certain specialised products, the Commission suggested that steps should be taken to provide necessary technical advice to consumers. In the case of all bearings industry this recommendation (1952) proved beneficial to the consumers. Similarly, for the same industry the Commission suggested after-sales service facility to consumers. On the recommendations of the Commission (1960) the main manufacturer in the industry arranged service engineers in all the important zones with a view to rendering prompt and efficient service to consumers. In the case of cotton textile machinery (1957) the Commission suggested that steps should be taken for introducing an adequate after-sales service at centres where machinery was installed and lapses on the part of the manufacturers should be taken note of seriously by the Textile Commissioner. This recommendation had a healthy effect in building up a systematic after-sales service manned by experienced sales engineers.

5.1. *Import control policy.*—Since 1957, the Government of India have been following a progressively restrictive import control policy due to shortage of foreign exchange. However, when indigenous production of any protected item was found to be sufficient to meet the internal demand, the Commission recommended severely restrictive measures including a total ban on imports of respective items. Such measures accorded additional protection in the form of quantitative restrictions. Thus, in the case of electric motor industry (1958), the Commission also recommended that "the Development Wing should before recommending the issue of a licence satisfy itself that the applicant had taken adequate measures to obtain requirements of electric motors of 100 h.p. and above from indigenous sources". Another specific recommendations in this connection related to rims (Bicycles : 1957) reads as under :—

> "Licences for import of rims should not be granted unless the production of rims by Dunlop Rubber Co. Ltd. and Wheel & Rim Co. of India, the two ancillary producers on the one hand, and Hind Cycles Ltd., and Nundy and Company (who have surplus capacity) on the other hand, is found to be inadequate to meet the country's needs".

Government of India have banned the import of rims from October 1957. In the case of engineering steel files industry (1960) the Commission recommended that "since the import of old steel files as 'industrial scrap' has created a loophole for import of serviceable files and a threat to the domestic industry, Government may consider the question of enforcing stricter control with a view to stopping this malpractice". As a result of this recommendation, old and unserviceable steel files, unless broken at the centre, were not allowed to be imported.

5.2. The Commission also recommended in certain cases increased imports when it found that indigenous production of protected items was not sufficient to meet the domestic demand. Since indigenous production of light soda ash in 1955 was not enough to meet the growing demand in the country, the Commission recommended increased imports of soda ash. In the case of heavy soda ash which was not then produced in the country, the Commission recommended in 1955 that Government should arrange for regular and adequate imports of Magadi ash for glass and bichromate manufacturers. Similarly in 1954 the Commission recommended imports of sheet glass for mirror manufacturers, as suitable glass for them was not then produced in the country. Government reviewed such recommendations in the light of available foreign exchange resources and permitted imports

to the extent possible. It will be interesting to note that in 1952 when there was no foreign exchange scarcity the Commission recommended that imports of ball bearings of those sizes which were being produced in the country should not be totally banned in order to avoid any risk of break-down of indigenous production and also as an incentive to the indigenous industry to maintain standards of quality and lower costs.

6.1. *Miscellaneous recommendations.*—The miscellaneous recommendations made by the Commission were directed for implementation either towards Government Departments or manufacturers. So far as the Government Departments are concerned they related to the D.G.C.I.&S. for recording details of import statistics of protected commodities, or the Railway Administration to improve the transport facilities to the protected industries, or to the Government of India for getting the release of certain protected items from the obligations of GATT. Similarly, the type of recommendations made to manufacturers of protected industries relate to maintenance of data relating to costs of production, furnishing of statistical returns, improvement in packing, etc. Some of the more important recommendations are illustrated in the following paragraphs.

6.2. Since the imports of protected industries were not recorded in the required specification and details considerable difficulties were experienced in finding out the pattern of imports and assessing the nature and degree of foreign competition. In view of this, the Commission took early steps to see that the details of imports both in quantity and value, were recorded properly in the desired manner. Recommendations to this effect were made in the case of many protected industries in their initial stages of protection. These recommendations were promptly implemented by the D.G.C.I.&S.

6.3. On the recommendations of the Commission Government of India secured the release from the obligations of GATT 8 products of dyestuffs industry (1954) including fast colour salts, soluble vats, naphthols, sulphur black, etc. Similarly in the case of certain items of ball bearings also, subsequent to the recommendation of the Commission (1952) Government obtained release from their commitments in regard to the import duty on ball bearing for use with shafting and adapter bearings.

Statement showing the indices of wholesale prices for certain protected/deprotected industries during the period 1952 to 1965

Sl. No.	Name of the Industry	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965
	A. Chemicals														
I	Caustic Soda@	100·00	88·18	83·74	86·91	89·45	86·91	•87·80	87·55	89·71	91·36	[illegible]	[illegible]	[illegible]	[illegible]
II	Soda Ash@ .	100·00	109·35	98·18	98·34	98·34	98·34	98·70	97·09	97·09	103·84	[illegible]	93·65	98·65	[illegible]
III	Calcium Carbide@ .				100·00	100·00	106·97	106·97	104·35	98·94	98·94	107·80	108·7	112·83	138·23
IV	Sheet Glass*			100·00	100·00	96·96	96·96	99·24	99·24	99·24	100·00	103·91	99·24	113·65	111·40
V	Dye-Stuffs .					100·00	124·93	128·59	139·75	136·90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	B. Engineering														
VI	Bicycles** .	100·00	100·00	100·00	99·00	94·8	94·8	94·8	93·2	101·6	101·6	102·6	102·8	102·8	102·8
VII	Ball Bearings*		100·00	95·40	101·64	137·11	137·11	137·11	137·11	137·11	137·11	137·11	137·11	137·11	137·11
VIII	Diesel Fuel Inj. Equipment** .				100·00	100·00	100·00	100·00	94·88	89·92	84·96	80·67	80·67	80·67	80·67
IX	Engineers' Steel Files**				100·00	118·99	118·99	123·07	127·15	131·23	136·34	141·46	141.46	141·46	157·78
X	Cotton Textile Machinery — Ring Frames	100·00	100·00	100·00	100·00	100·00	104·76	104·76	104·76	162·98	171·01	185·56	190·24	211·36	211·36
XI	Electric Motors* .	100·00	100·00	95·77	99·19	92·94	92·94	97·98	97·98	112·70	110·08	128·02	115·32	115·93	147·18

XII. Aluminium	100·00	98·47	98·27	103·57	122·35	126·19	125·54	124·97	118·23	122·48	116·77	118·47	113·71	118·88
Economic Adviser's Indices: General Index (1952-53=100)		101·2	97·4	92·5	105·3	108·4	112·9	117·1	124·9	125·1	127·9	135·3	152·7	161·3
Group Index (Chemicals)				92·1	93·4	98·4	106·8	106·9	104·4	110·7	115·5	117·9	120·9	N.A.
Group Index (Machinery etc.)				97·4	98·9	101·7	103·9	106·5	111·9	114·5	117·9	124·2	128·0	N.A.

@Deprotected from 1-1-1965; *Deprotected from 1-1-1966; **Deprotected from 1-1-1964.

Statement showing comparison between the cost of production and c.i.f. prices of selected items in 12 protected industries.

I. Ball Bearing Industry.

Unit 'A'

Year	1951	1954	1959	1961	1964
Production all sizes (1000)	234	705	1,690	3,198	4,042
	Rs.	Rs.	Rs.	Rs.	Rs.
Bearing Sizes 110 :					
Actual cost per piece . .	3·340	2·062	1·775	1·587	2·473
C.i.f. price	1·000	1·063	1·100	1·430	1·610
Actual cost as a % age of c.i.f. price	334·0%	194·0%	161.4%	111·0%	153·6%
Bearing Sizes 112 :					
Actual cost per piece . .	3·410	2·150	1·868	1·679	2·600
C.i.f. price	1·141	1·078	1·180	1·430	1·640
Actual cost as a %age of c.i.f. price	298.9%	199·4%	158·3%	117·4%	158·5%
Bearing Size 320 :					
Actual cost per piece . .	6·018	3·286	3·073	2·894	4·299
C.i.f. price	1·844	1·875	1·830	1·930	2·720
Actual cost as a % age of c.i.f. price	326·4%	175·3%	167·9%	149·9%	158·1%

II. Engineers' Steel Files Industry

Unit 'B'

Year	1954	1957	1962
Production in dozens (All sizes)	29,351	25,371	92,375
	Rs.	Rs.	Rs.
8" Flat Bastard :			
Actual cost per doz.	16·092	16·520	12.830
C.i.f. price	5·21	10·080	18·360
Actual cost as a % age of c.i.f. price	308·9%	163·9%	69·9%
12" Flat Bastard			
Actual cost per doz.	29·184	23·380	24·890
C.i.f. price	9·33	18·720	31·880
Actual cost as a % age of c.i.f. price	312·8%	124·9%	78·1%
14" Flat Bastard :			
Actual cost per doz.	—	32·970	35·950
C.i.f. price	—	24·720	41·060
Actual cost as a % age of c.i.f. price	—	133·4%	87·6%

Unit 'C'

Year	1956	1958	1961
Production in dozens (All sizes)	32,918	75,659	97,433
	Rs.	Rs.	Rs.
8" Flat Bastard :			
Actual cost per doz.	17·86	14·31	13·37
C.i.f. price	10·08	15·33	18·36
Actual cost as a %age of c.i.f. price	177·2%	93·3%	72·8%
12" Flat Bastard :			
Actual cost per doz.	25·24	22·84	26·50
C.i.f. price	18·72	28·33	31·88
Actual cost as a %age of c.i.f. price	134·8%	80·6%	83·1%
14" Flat Bastard :			
Actual cost per doz.	33·19	29·50	35·17
C.i.f. price	24·72	37·62	41·06
Actual cost as a %age of c.i.f. price	134·3%	78·4%	85·7%

III Aluminium Industry

Unit 'D'

Year	1954	1957	1959	1963
Production (tonnes)	2992	5552	14652	25776
	Rs.	Rs.	Rs.	Rs.
Aluminium Ingots :				
Actual cot per tonne	2,423	2,098	2,384	2,249
C.i.f. price	2,394	2,362	2,450	2,539
Actual cost as a %age of c.i.f. price	101·2%	88·8%	97·3%	88·6%

IV. Dyestuff Industry

Unit 'E'

Year	1953	1961	1963
Production of all Azo Dyes in lakh kgs.	3·22	10·03	7·53
Acid Black 10 Bx			
Actual cost per kg.	Rs.10·229	Rs. 8·183	Rs. 9·999
C.i.f. price	Rs. 6·889	6·28	3·76
Actual cost as a %age of c.i.f. price	%148·5	130·3	265·9
Acid Orange II			
Actual cost per kg.	Rs. 7·632	5·570	5·636
C.i.f. price	Rs. 3·446	2·78	3·77
Actual cost as a %age of c.i.f. price	%221·5	200·4	149·5
Direct Green B			
Actual cost per kg.	Rs. 13·437	5·972	7·105
C.i.f. price	Rs. 5·761	5·56	6·81
Actual cost as a %age of c.i.f. price	%233·2	107·4	104·3

V. Electric Motors Industry

Unit 'F'

Year	1954	1957	1960	1962
Production of all types in H.P.	521,729	138,460	208,809	333,920
Squirrel Cage-Screen Protected, Dip Proof :				
(a) 7·5 H.P./4 Poles :				
Actual cost per piece	Rs. 391·24	Rs.359·36	Rs. 336·77	Rs. 423·35
C.i.f. price	Rs. 340·00	377·00	400·00	382·00
Actual cost as a %age of c.i.f. price	%115·1	95·3	84·2	110·82
(b) 10 H.P./4 Poles :				
Actual cost per piece	Rs. 433·28	410·09	374·77	484·34
C.i.f. price	Rs. 418·00	469·00	484·00	468·00
Actual cost as a %age of c.i.f. price	%103·7	87·4	77·4	103·49
(c) 15 H.P./4 Poles :				
Actual cost per piece	Rs. 583·04	594·55	526·79	652·09
C.i.f. price	Rs. 547·00	485·00	620·00	612·00
Actual cost as a %age of c.i.f. price	%106·6	122·6	85·0	106·55

VI. Calcium Carbide Industry

Unit 'G'

Year	1955	1957	1960	1963
Production in Tonnes	3,040	3,364	7,7[illegible]5	11,101
Actual cost per tonne	Rs. 786·44	720·48	815·31	875·87
C.i.f. price	Rs. 539·21	565·13	480·00	562·00
Actual cost as a %age c.i.f. price . .	%145·9	127·5	169·8	155·8

Unit 'H'

Year	1960	1963
Production in Tonnes	2,319	9,009
Actual cost per tonne	Rs. 889·84	680·81
C.i.f. price	Rs. 480·00	562·00
Actual cost as a %age of c.i.f. price	% 185·4	121·1

VII. Bicycle Industry

Unit 'I'

Year	1953	1956	1959	1961
Production in Nos.	115,832	150,943	150,890	111,[illegible]8
Actual cost per piece	Rs. 106·914	109·191	120·230	121·507
C.i.f. price	Rs. 86·32	9·85 (Av.)	78·42	96·05
Actual cost as a %age of c.i.f. price .	%123·9	120·2	153·3	126·5

Unit 'J'

Year	1953	1955	1958	1962
Production in Nos.	46,123	89,041	2,00,665	273,776
Actual cost per piece	Rs. 135·904	114·560	177·400	131·600
C.i.f. price	Rs. 86·32	90·85 (Av.)	78·42	96·05
Actual cost as a %age of c.i.f. price .	%157·4	126·1	137	137

VIII. Textile Machinery Industry

(a) Ring Frame

Unit 'K'

Year	1956
Production (all types) in Nos.	472
Actual cost per piece . . . . Rs.	19,393
C.i.f. price	33,370 (English)
Actual cost as a %age of c.i.f. price	%58·1

Unit 'L'

Year	1960	1962
Production (Nos.)	Type A	Type B
Actual cost per piece	Rs. 35,414	32,880
C. i. f. price	Rs. 28,751 (Japanese)	67,358 (English)
Actual cost as a %age of c.i.f. price .	%123·2	48·8

(b) Automatic Looms

Unit 'K'

Year		1956	1960	1962
Production in Nos. (All types)		Type A	Type A	Type B
Actual cost per piece	Rs.	4,106·38	3,637·60	6,663·10
C.i.f. price	Rs.	3,674·00	3,421·91	4,228·80
Actual cost as a %age of c.i.f. price	%	111·8	106·3	157·6

Unit 'L'

Year	1962
Production in Nos.	Type C
Actual cost per piece . . . . Rs.	10,535·09
C.i.f. price	10,160·25
Actual cost as a %age of c.i.f. price	103·7

IX. Diesel Fuel Injection Equipment Industry

Unit 'M'

(*a*) *Fuel Injection Pumps Single Cylinder Pumps Type*—H-PF1a 70 *BS* 175

Year		1954	1956	1958	1961
Production of all types Nos.		2,173	8,418	31,755	68,527
Actul cost per piece	Rs.	49·57	33·76	28·36	21·94
C.i.f. price	Rs.	41·63	40·00	40·00	39·04
Actual cost as a %age of c.i.f. price	%	119·1	84·4	70·9	56·2

(*b*) *Nozzle Holders Single Cylinder Pumps Type*—*H-KBL* 67 *S* 13

Year		1954	1956	1958	1961
Production of all types Nos.		2,897	34,291	62,724	2,19,185
Actual cost per piece	Rs.	61·25	32·46	26·83	15·53
C.i.f. price	Rs.	22·21	19·00	19·00	25·86
Actual cost as a %age of c.i.f. price	%	275·8	170·8	141·2	60·1

X. Sheet Glass Industry

Unit 'N'

Year		1952	1956
Production in terms of 2 m.m. thickness (in million sq. metres)		0·65	2·03
Actual cost per 10 sq. metres	Rs.	28·61	20·99
C.i.f. price	Rs.	16·48	15·07
Actual cost as a %age of c.i.f. price	%	173·6	139·3

Unit 'O'

Year	1955	1959	1961	1964
Production in terms of 2 m.m. thickness (in million sq. metres)	1·64	2·23	2·078	3·19
	Rs.	Rs.	Rs.	Rs.
Actual cost per 10 sq. metres	26·76	27·45	34·57	44·29
C.i.f. price	15·07	19·49	20·52	20·52
Actual cost as a % age of c.i.f. price . .	177·6%	140·8%	168·5%	215·8%

Unit 'P'

Year	1958	1961	1964
Production in terms of 2 m.m. thickness (in million sq. metres)	2·25	3·473	2·47
	Rs.	Rs.	Rs.
Actual cost per 10 sq. metres	30·85	29·86	44·93
C.i.f. price	19·49	20·52	20·52
Actual cost as a %age of c.i.f. price . . .	158·3%	145·5%	219·0%

XI. Soda Ash Industry

Unit 'Q'

Year	1953	1957	1960
Production (Tonnes)	19,649	34,487	38,098
	Rs.	Rs.	Rs.
Actual cost per tonne	266·18	324·25	338·88
C.i.f. price	210·43	163·38	171·00
Actual cost as a %age of c.i.f. price	126·5%	198·5%	198·2%

Unit 'R'

Year	1953	1957	1960	1962
Production (Tonnes)	38,093	59,761	69,152	1,00,82
	Rs.	Rs.	Rs.	Rs.
Actual cost per tonne	242·82	264·38	291·06	293·57
C.i.f. price	210·43	163·38	171·00	160·00
Actual cost as a %age of c.i.f. price . .	115·4%	161·8%	170·2%	183·5%

Unit 'S'

Year	..	..	..	1963
Production (Tonnes)	..	..	..	77,222
	Rs.	Rs.	Rs.	Rs.
Actual cost per tonne	..	..	..	289·47
C.i.f. price	..	..	..	160·00
Actual cost as a %age of c.i.f. price	..	..	..	180·9%

XII. Electrolytic Caustic Soda

Unit 'T'

Year	1952	1957	1960	1963
Production (Tonnes)	[illegible],225	4,729	5,686	13,290
	Rs.	Rs.	Rs.	Rs.
Actual cost per tonne	627·75	588·54	567·36	542·44
C.i.f. price	460·21	325·57	302·00	477·00
Actual cost as a %age of c.i.f. price	136·40%	180·77%	187·87%	113·72%

Unit 'U'

Year	1952	1957	1960	1963
Production (including those produced by chemical process) Tonnes	2,282	6,4[illegible]	6,775	4,211
	Rs.	Rs.	Rs.	Rs.
Actual cost per tonne	575·79	609·44	633·23	6[illegible]·2[illegible]
C.i.f. price	460·21	325·57	302·00	477·00
Actual cost as a %age of c.i.f. price	125·11%	187·19%	209·68%	129·83%

Unit 'V'

Year	1960	1963
Production (Tonnes)	21,275	30,100
	Rs.	Rs.
Actual cost per tonne	531·83	565·34
C.i.f. price	302·00	477·00
Actual cost as a %age of c.i.f. price	176·10%	118·52%

APPENDIX XI

(*Vide* paragraph 4.4)

Statement showing the growth of Industries under protection.

Sl. No.	Name of industry and major protected items	Unit of capacity & production	No. of producing units: Initial year of protection or earliest available data after 1952	No. of producing units: Year of deprotection or latest available data	No. of producing units: Percentage growth of col. (5) over col. (4)	Installed capacity: Initial year of protection or earliest available data after 1952	Installed capacity: Year of deprotection or latest available data	Installed capacity: Percentage growth of col. (5) col. (7)	Annual production: Initial year of protection or earliest available data after 1952	Annual production: Year of deprotection or latest available data	Annual production: Percentage growth of col. (11) over col. (10)	Annual simple average rate of growth
1	2	3	4	5	6	7	8	9	10	11	12	13
1	*Aluminium*											
	(*i*) Ingots . .	Tonnes	2 (1955)	4 (1966)	100·0	7,200 (1955)	93,660 (1966)	1200·8	7,197 (1955)	71,633 (1966)	895·3	81
	(*ii*) Sheets & circles	Tonnes	6 (1955)	7 (1966)	16·7	11,750 (1955)	25,536 (1966)	117·3	10,290 (1955)	22,211 (1966)	115·9	11
	(*iii*) Foils . .	Tonnes	1 (1955)	3 (1966)	200·0	..	7,200 (1966)	..	1,316 (1955)	14,314 (1966)	227·8	21
2	*Alloy Tool & Special Steels.*											
	(*i*) High speed steels . .	Tons	2 (1947-48)	2 (1955)	..	1,420 to 1,620 (1947-48)	2,275 (1954)	40·4 to 56·6	1,248 (1947-48)	549 (1954)	*(—)56·0	(—)8·0
	(*ii*) Stainless steels	Tons	1 (1947-48)	1 (1955)	..							
	(*iii*) Other Alloy steels . .	Tons	2 (1947-48)	4 (1955)	100·0							

3	*Antimony* . .	Tonnes	1 (1947)	1 (1965)	..	203 (1946)	1,000 (1965)	392·6	303 (1947-48)	848 (1965)	179·9	10
4	Artificial silk and cotton and artificial silk mixed fabrics . .	Million yds.	40 (1948)	37 (1958)	—7·5	N.A.	470 (1959)	..	50 (1948)	366 (1957)	632·0	70
5	*A.C.S.R. & A.A.C.*											
	A.C.S.R. and All Aluminium Conductors . .	Tons	3 (1957)	27 (1966)	800·0	3,510 (1957)	80,925 (1966)	2205·6	5,714 (1954)	46,672 (1965)	716·8	65
6	*Automobiles*											
	(i) Manufacturers	Nos.	5 (1953)	6 (1966)	20·0	44,490 (1953)	*74,086 (1966)	68·5	14,873 (1952)	70,020 (1966)	370·8	27
	(ii) Assemblers .	Nos.	7 (1953)	..	..	39,524 (1953)	..	..	..	..	..	..
7	*Automobile Hand Tyre Inflators.*											
	Hand Tyre Inflators	Nos.	5 (1954)	7 (1960)	40·00	1,40,000 (1954)	1,09,200 (1960)	(—)22·0	43,416 (1953)	47,784 (1959)	10·1	2@
8	Automobile Leaf Spring	Tons.	5 (1954)	6 (1959)	20·00	5,200 (1954)	7,450 (1959)	43·3	2,024 (1953)	7,047·44 (1958)	248·2	50
	Automobile Sparking Plug .	Nos.	1 (1954)	2 (1965)	100·00	3,00,000 (1954)	1,284,000 (1964)	328·0	84,269 (1954)	1,953,268 (1964)	2,217·9	222

* The actual production of the units was very small in relation to their capacity.

@ Capacity of the major producer was considerably reduced .

1	2	3	4	5	6	7	8	9	10	11	12	1
10	Bichromates .	Tons	17 (1946)	5 (1958)	(—)70·6	6,226 (1946)	4,546 (1958)	(—)27·0	43,228 (1945)	3,683 (1957)	14·1	1@(a
11	Bicycles . .	Nos.	2 (1946)	18 (1963)	800	95,000 (1946)	1,369,000 (1963)	1,341	34,000 (1946)	1,116,491 (1962)	3,184	199
12	Ball Bearings .	Nos.	1 (1952)	5 (1956)	400	600,000 (1952)	12,105,000 (1965)	1,918	417,769 (1952)	7,758·000 (1965)	1,757	135
13	*Cotton Textile Machinery*											
	Spinning ring frames . .	Nos.	4 (1954)	5 (1966)	25·00	672 (1954)	1,680 (1966)	150·0	356 (1954)	2,290 (1965)	543·3	49
14	Calcium Carbide .	Tonnes	3 (1953)	4 (1964)	33	5,131 (1956)	47,700 (1964)	830	2,935 (1956)	26,907 (1964)	817	102
15	Caustic Soda & Bleaching powder	Tonnes	15 (1955)	20 (1965)	33	39,317 (1954)	216,000 (1964)	449	34,581 (1955)	181,600 (1964)	425	47
16	Calcium Chloride	Tons	2 (1950)	2 (1955)	..	1,500 (1950)	2,125 (1955)	41·7	818 (1946)	524 (1954)	(—)35·9	(—)4+
17	Calcium Lactate .	Tons	2 (1950)	2 (1960)	..	78 (1950)	181 (1960)	132·1	46·62 (1951)	97·53 (1959)	109·2	14
18	Coated Abrasives	Reams	4 (1946)	4 (1955)	..	78,000 (1946)	147,600 (1955)	89·2	26,265 (1947)	70,637 (1954)	168·9	24
19	Cotton and Hair Belting . .	Tons	4 (1947)	9 (1959)	125·0	485 (1947)	1840 (1959)	28·8	600·78 (1946-47)	777·32 (1958)	29·4	[illegible]

20	Cocoa Powder & Choclate	Tons	3 (1946)	3 (1958)	..	560 (1947)	1,063 (1958)	90·2	109 (1947)	488·34 (1957)	342·5	34
21	Dry Battery	Millon Cells	6 (1947)	4 (1953)	(—)33·3	142·0 (1947)	210 (1953)	47·9	87·32 (1947)	130·43 (1952)	49·4	10
22	*Diesel Fuel Injection equipment;*											
	(i) Single Cylinder Pumps	Nos.				10,000 (1955)	80,400 (1963)	704	11,865 (1955)	62,276 (1962)	425	61
	(ii) Multi Cylinder Pumps	Nos.					30,000 (1963)	..	..	27,815 (1988)	..	..
	(iii) Nozzle-holders	Nos.	1 (1955)	2 (1963)	100	1,000 (1955)	202,800 (1963)	20,180	14,604 (1955)	207,694 (1962)	1,322	189
	(iv) Nozzles	Nos.					599,000 (1963)	..	..	331,807 (1962)	..	..
	(v) Elements	Nos.					464,400 (1963)	..	13,763 (1955)	409,357 (1962)	2,874	411
	(vi) Delivery Valves	Nos.					464,400 (1963)	..	9,501 (1955)	474,561 (1962)	4,895	699
23	Dyestuffs	Tonnes	7 (1954)	13 (1966)	85·7	2,022 (1952)	8,459 (1966)	317·4	674 (1953)	5,992 (1966)	789·0	61

@@Due to lack of demand many units closed down.

+Production was low due to ~~lack of demand.~~

1	2	3	4	5	6	7	8	9	10	11	12	13
24	Electric Lamp Holders .	Pieces	20 (1951)	14 (1956)	(—)30·0	26,81,700 (1950)	60,52,310 (1956)	125·7	315,744 (1949)	35,01,121 (1955)	1008·8	168
25	Electric Motors .	H. P.	5 (1947)	46 (1965)	820	92,006 (1947)	2,008,680 (1965)	2083	45,879 (1947)	1,337,997 (1964)	2814	166
26	Engineers Steel Files	Dozens	5 (1955)	5 (1963)	..	288,000 (1955)	656,000 (1963)	128	44,448 (1955)	501,070 (1962)	1027	147
27	Ferro-Silicon .	Tons	1 (1947)	1 (1953)	..	1,800 (1947)	5,570 (1953)	209·4	1,166 (1946-47)	4,069 (1952)	249·0	41
28	Fountain Pen Ink	Dozens of 2 oz. bottles.	77 (1950)	103 (1953)	33·8	1586,541* (1950)	3,518,367£ (1953)	121·8	1,14,699* (1949)	597,974££ (1952)	421·3	140
29	Grinding Wheels	Tons	2 (1946)	6 (1959)	200·0	310 (1946)	2,890 (1959)	832·3	200 (1948)	1,268 (1958)	534·0	53
30	Glucose .	Tons	3 (1947)	2 (1955)	(—)33·3	3,600 (1947)	4,100 (1955)	13·9	354 (1947)	224 (1954)	(—)36·7@@	(—)5
31	Hydroquinone .	Lbs.	1 (1951)	2 (1959)	100·0	33,000 (1951)	75,000 (1959)	127·3	7,461 (1950)	54,691 (1958)	633·0	79
32	Hurricane Lanterns	Lakhs	8 (1946)	9 (1954)	12·5	17·52 (1946)	40·10 (1954)	128·9	17·00 (1948)	36·17 (1952)	112·8	28
33	Machine Screws .	Gross	7 (1951)	10 (1959)	42·8	566,000 (1951)	2,092,000 (1959)	269·6	173,715 (1950)	1,981,369 (1958)	1040·6	130
34	Matches . .	Gross boxes	27 (1926-28)	791 (1963)	2829·6	18,000,000 (1926-28)	55,000,000 (1963)	205·6	N.A. (1926-28)	43,000,000 (1962)	..	..
35	Motor Vehicle Batteries	Nos.	18 (1948)	20 (1955)	11·1	2,65,900 (1948)	3,29,000 (1955)	23·7	1,06,553 (1948)	203,237 (1954)	90·7	15

36	†*Non-Ferrous Metals* Tonnes	25 (1957)	5 (1965)	(—)80·0	(1957)	(1965)	..	(1957)	(1964)	..	..
	Items										
	(i) Copper/Brass Sheets, circles strips . .				48,768	..	..	23,491	..	..	..
	(ii) Copper/Brass, sections (including extruded items) .				5,080	7,729	52·0	1,707	5,170	202·9	29
	(iii) Copper/Brass pipes and tubes .				366	7,400	1921·9	66	1,262	1812·1	259
	(iv) Copper/Brass Wires for non-electrical purposes				1,989	..	..	..	..	..	..
	(v) Zinc Sheets, strips, etc. .				5,791	..	..	1,826	..	..	..
	(vi) Lead Sheets .				116	..	..	495	..	..	..
	(vii) Lead pipes and tubes . .				4,877	..	..	..	..	..	..
	(viii) Highly polished zinc sheets for making processed blocks . .					445	..	..	316	..	..
37	Oil pressure Lamps (Nos.)	8 (1950)	10 (1957)	25·0	91,000 (1950)	1,59,600 (1956)	75·4	34,000 (1949)	86,915	155·6	22

*Relates to 23 units only.
£Relates to 44 units only.
££Relates to 49 units only.
@@Major unit went into liquidation.
†Industry was granted protection in 1948. Data for comparable items available from 1957 only.

1	2	3	4	5	6	7	8	9	10	11	12	13
38	Pencils . .	Gross	15 (1956)	11 (1953)	(—)26·7	4,55,088 (1950)	11,05,900 (1955)	143·0	41,450 (1949)	150,086 (1952)	263·3	88
39	Power and Distribution Transformers	KVA	7 (1952)	19 (1965)	171·4	370,000 (1952)	4,650,900 (1965)	1157·0	183,164 (1951)	4,255,623 (1964)	2223·4	171
40	Pickers . .	Gross	60 (1948)	60 (1954)	..	50,000 (1948)	75,669 (1954)	51·3	13,000 (1947)	28,471 (1953)	119·0	20
41	*Plastics*											
	(i) Phenol-Formaldehyde Moulding Powder . .	Tonnes	1 (1948)	6 (1961)	500·00	457 (1948)	2,195 (1961)	380·31	127 (1948)	2,244 (1961)	1666·93	128
	(ii) Electrical Accessories .	Gross	17 (1953)	18 (1955)	5·88	111,700 (1956)	111,700 (1956)	..	37,836 (1953)	56,858 (1955)	50·27	25
	(iii) Buttons . .	Gross	5 (1951)	7 (1959)	40·00	1,667,000 (1951)	2,696,400 (1959)	61·75	386,000 (1951)	2,730,034 (1958)	607·26	87
42	*Plywood & Tea-chests Industry.*											
	Plywood . .	Million sq. ft.	43 (1947)	72 (1960)	67·44	60 (1947)	149 (1960)	148·33	45 (1948)	97 (1959)	115·56	10
43	*Preserved Fruits.*	Tons.	295 (1948)	720 (1956)	144·07	N.A.	N.A.	—	2137 (1947-48)	1674 (1955)	(—)21·67	(—)3*
44	*Sago* . .	Tons.	Over 40 (1950)	115 (1959)	187·50	19,500 (1950)	53,401 (1959)	173·85	6,000 (1950)	38,968 (1958)	549·47	68
45	*Sericulture*											
	(i) Raw silk .	Kgs.	N.A.	N.A.	..	N.A.	N.A.	..	1,317,254 (1949)	2,152,000 (1965)	63·37	4

	(ii) Silk Waste .	Kgs.	N.A.	N.A.	..	N.A	N.A.	..	542,959 (1950)	986,000 (1965)	81·6	5
	(iii) Spun Silk Yran	Kgs.	N.A	N.A.	..	N.A.	N.A.	..	41,904 (1949)	54,247 (1965)	29·46	2
	(iv) Silk Fabrics .	Million Sq. Mts.	N.A	N.A.	..	N.A.	N.A.	..	N.A.	29·71 (1965)	..	..
46	*Sewing Machines* .	Nos.	4 (1946)	4 (1954)	..	8,000 (1946-47)	44,500	456·3	N.A.	62,760	..	..
47	Sheet Glass. .	Million sq. ft.	3 (1950)	6 (1965)	100·00	15·00 (1950)	20·12 (1965)	34·1	9·43 (1950)	10·12 (1964)	7·3	..
48	*Sodium Thiosulphate, Sodium Bisulphite, Sodium Sulphite.*											
	(i) Sodium Thiosulphate . .	Tons.	5 (1946)	5 (1955)	..	1,120 (1946)	1,698 (1955)	51·6	52 (1944-45)	648 (1954)	1146·2	127
	(ii) Sodium Sulphite	Tons.	2 (1946)	4 (1955)	100·00	330 (1946)	637 (1955)	93·0	55 (1944-45)	193 (1954)	250·9	28
	(iii) Sodium Bisulphite	Tons.	2 (1946)	4 (1955)	100·00	360 (1946)	835 (1955)	131·9	54 (1944-45)	434 (1954)	703·7	78
49	Soda Ash . .	Tonnes	2 (1950)	4 (1963)	100·00	47,549 (1950)	277,400 (1964)	483·4	44,186 (1950)	280,112 (1963)	533·9	41
50	Starch . .	Tons.	24 (1947)	8 (1955)	(—)66·7	58,000 (1947)	71,600 (1955)	23·5	1,350 (1947)	35,811 (1954)	2552·6	365
51	*Stearic and Oleic Acids*											
	Stearic Acid .	Tonnes	3 (1947)	6 (1962)	100·00	772 (1947)	7,040 (1962)	811·9	2 (1946-47)	2,838 (1961)	141800·0	10·100
	Oleic Acid . .	Tonnes	3 (1947)	5 (1962)	66·7	732 (1947)	1,809 (1962)	147·1	6·7 (1946-47)	392 (1961)	5750·8	411

*Since 1950 production fell due to lack of demand.

1	2	3	4	5	6	7	8	9	10	11	12	13
52	*Piston Assembly* .											
	Pistons . . .	Nos. in lakhs.	1 (1955)	2 (1966)	100·0	3·60 (1955)	9·00 (1966)	150·0	1·14 (1954)	9.01 (1965)	690·4	63
	Piston Rings .	Do.	1 (1955)	2 (1966)	100·0	18·00 (1955)	66·00 (1966)	266·7	75.75 (1954)	97·89 (1965)	521·5	47
	Gudeon Pins .	Do.	1 (1955)	2 (1966)	100·0	4·80 (1955)	6·00 (1966)	25·00	0·22 (1954)	5·23 (1965)	2277·3	207
53	*Steel Baling* Hoops											
	Jute Baling Hoops	Tons.	1 (1946)	1 (1955)	..	12,000 (1946)	8,000 (1955)	(—)33·3*	5,857 (1944-45)	7,535 (1954)	28·6	3
	Cotton Baling Hoops	,,	1 (1946)	3 (1955)	200·0	5,000 (1948)	10,350 (1955)	107·0	..	3,426 (1954)	..	..
54	*Titanium Dioxide*	Tonnes	1 (1953)	1 (1964)	..	1,829 (1953)	6,500 (1964)	255·4	393 (1952)	3,985 (1963)	914·0	83
55	*Wood Screws* .	Gross	8 (1946)	23 (1959)	187·3	389·00 (1946)	7,785,840 (1959)	1901·5	130 (tons) (1944-45)	8,906·229 (1959)	..	..
56	*Zip Fasteners* .	Feet.	1 (1951)	2 (1954)	100·0	900,000 (1951)	940,000 (1954)	4·4	61,788 (1950)	159,081 (1953)	157·5	53

*Factory was shifted to another site with a reduced installed capacity.

APPENDIX XII

(*vide* paragraph)

C. *Price inquiries referred by the Government to the Commission during* 1952-53 *to* 1966-67

Sl. No.	Name of the commodity	Year of price inquiry	Nature of price inquiry
1	2	3	4
1	Acetate yarn	1959	Selling price (ex-works, wholesale and retail).
2	Alcohol	1965	Ceiling price
3	Ammonium sulphate . .	1960	Retention price
4	Antimony	1965	Selling price
5	Automobiles	1956, 1967	Selling price
6	Automobile Ancillaries .	1967	Selling price
7	Bars and rods & electric furnance billets	1952, 1958	Conversion charges for registered re-rollers in the case of bars and rods and retention prices in the case of billets.
8	Beta oxy naphthoic acid	1966	Selling price (price structures)
9	Calcium carbide . . .	1961	Selling price
10	Caustic soda, chlorine, hydrochloric acid and bleaching powder.	1958, 1961, 1967	Fair ex-works and Selling price. Ceiling Prices (1961).
11	Cement	1953, 1958 and 1961	Selling price in 1953 inquiry & retention prices in subsequent inquiries.
12	Catgut	1966	Selling price (Price structure).
13	Coal and Coke	1967	Price structure.
14	Cotton cloth & yarn	1962	Selling price (ex-mill, wholesale and retail).
15	Drugs and Pharmaceuticals .	1967	Reduction of prices.
16	Electric lamps & florescent tubes.	1963	Selling price.
17	Ferro-silicon	1961	Ceiling prices.
18	Fire fighting equipment .	1962	Pricing policy of manufactures
19	Locomotives and boilers .	1956	Selling price.
20	Paper and paper boards .	1959	Selling price (ex-works, wholesale and retail).
21	Pig iron	1956, 1958 and 1962	Retention prices.
22	Preserved fruits and vegetables.	1963	Selling prices.
23	Raw rubber	1952, 1960 and 1967	Cost of production.
24	Rubber tyres and tubes .	1955	Selling prices.

1	2	3	4
25	Safety matches . . .	1963	Selling prices.
26	Sheet glass	1962	Selling prices.
27	Soda ash	1961	Selling prices.
28	Steel	1952 (Mysore) 1952 (SCOB) 1952 (TISCO) 1953, 1954, 1955, 1956, 1957, 1958 & 1962	Retention prices.
29	Sugar	1959	Cost structure and fair price.
30	Super-phosphates . .	1952	Retention prices.
31	Tinplate	1952, 1953, 1954 & 1958.	Retention prices.
32	Tractors (Agricultural) .	1967	Selling prices.
33	Woollen yarn, fabrics and manufactures.	1962	Selling price (ex-mill, whole-sale and retail).
34	Zinc	1959	Retention price.

APPENDIX XIII

(*Vide* paragraph 53)

Statement showing rate of return allowed by the Tariff Commission in some of its price reports since 1952.

Sl. No.	Name of the Report	Year of the Report	Basis for the rate of return (whether gross block or capital employed)	Percentage rate of return allowed	Items covered under the rate of return (as given in the Report)	Remarks
1	2	3	4	5	6	7
1	Review of Retention Prices of Tinplate produced by Tinplate Co.	1952	Gross Block.	8% of gross block and 4½% interest on working capital.	Taxation, Managing Agents' Commission, profit-sharing bonus, dividends, etc.	
2	Fair Retention prices of Steel produced by Mysore Iron and Steel Works.	1952	Gross Block.	7% of gross block and 4% interest on working capital.	..	The Mysore Works were allowed a return of 5% on the gross block at the previous inquiry (1949) as compared with 8% allowed to Tatas and SCOB at both the 1949 and 1951 inquiries. A lower rate of return was allowed to the Works in view of the fact that unlike the other units, the Works were not subject to taxation and did not have to pay any Managing Agency Commission. In 1952 7% rate of return was allowed to facilitate larger provision for reserves.

1	2	3	4	5	6	7
3	Fair Retention prices of steel produced by TISCO.	1953	Block. . .	(i) 8% of block for 1952-53 and 4½% interest on working capital. (ii) 10% of block for 1953-55	(i) Managing Agency Commission, dividends, profit-sharing bonus. (ii) Extra 2% for 1953-55 for provision of large amount for Reserves for modernisation and expansion.	
4	Revision of prices of Cement.	1953	. .	10% of block and 4½% interest on working capital.	N.M.	
5	Review of Retention prices of Tinplate produced by Tinplate Co.	1954	Block. . .	8% of block and 4½% interest on working capital.	N.M.	
6	Fair Retention prices of Steel produced by IISCO.	1954	Block. . .	8% of block and 4½% interest on working capital.	N.M.	
7	Fair prices of Rubber Tyres and Tubes.	1955	Capital employed .	10% on capital employed.		
8	Review of Retention prices of Tinplate produced by Tinplates Co.	1958	Capital employed .	10%. . .	Profit sharing bonus, interest on borrowed capital, Managing Agents' commission, Income-Tax, Wealth Tax and dividend.	

N.M.—Not mentioned.

9	Revision of Fair prices payable to Cement producers.	1958	Capital Employed (The Commission in this report has given reasons for change in its method of calculating rate of return from gross block to capital employed. They are given in para 8·1 to 8·4 of the Report.)	12% for some low cost units such as A.C.C., Dalmia, Digvijay, Jaipur Udyog etc. 10% to high cost to units such as Andhra Cement, Ashok, Bagalkot, etc. 8% to Travancore Cement, 6% to Government owned factories like Mysore Iron & Steel and U.P. Factory.	Increased rates of interest on borrowings, taxation, increased labour cost etc. Bonus, gratuity dividend, Managing agents, commission.	While discussing rate of return the Commission stated the the rates of taxation applicable to companies had increased and the rates of interest on borrowing has also increased. In addition the Commission stated that the scales of wages and emoluments to labour and staff had increased resulting in the need for increased allocations under bonus, gratuity etc. at a level higher than 1955. As all these elements had to be provided for in profits, the Commission considered that a rate of return at 12 per cent on capital employed should be allowed to the cement industry. The rate of return of 10 per cent should be allowed for high cost units on the principle that high cost units should not expect return on the same scale as other units. On the same principle, return of 8 per cent was allowed to Travancore Cement whose cost of production was highest. The Commission also stated that return on capital employed should be allowed at 6 per cent to the two State Government owned factories *viz.*, Mysore Iron and U.P. factories

1	2	3	4	5	6	7
						whose commitments (to be met from profits) did not include income-tax liability
10	Cost structure of Sugar and Fair Price Payable to Sugar Industry.	1959	Capital employed . . .	12%	Vagaries of rainfall and weather, bonus, gratuity, interest on borrowed capital, debentures, dividend, Managing Agents' commission and taxes	
11	Paper and Paper Boards.	1959	Employed capital . . .	12%	..	
12	The Revision of Raw Rubber Prices.	1960	Employed capital . . .	12·5%	(1) Managing agency commission, (2) taxation, (3) bonus, (4) fair margin for reasonable dividends.	
13	Revision of Fair Prices payable to cement producers.	1961	Capital employed .	14% for lowest cost units, 10 to 12% for some other units, 8% for Government units.	Interest charges, managing agency commission, profit sharing bonus.	
14	The Prices of Cotton Yarn & Cloth.	1962	Capital employed . . .	12%	Managing Agency, Commission, Bonus, Taxes, dividends, reserves, interest on loans.	In its 1961 Report on cement industry the Commission followed the same principle given in 1958 report that high cost units or new units which enjoy some concession should not expect return on the same scale as low cost units.

15	Prices of Electric Lamps and Fluorescent Tubes.	1963	Capital employed .	12%	Interest on borrowings, labour bonus etc. and dividend.	
16	Revision of Ceiling Prices of Alcohol.	1965	Capital employed .	15%	Bonus, interest on borowed capital, Managing Agents, Commission, taxation, dividends.	For fixing the rate of return on 'capital employed' to be included in the price of industrial alcohol the Commission had carefully considered the effect of the provisions of the payment of Bonus Ordinance, 1965, the increases in the Bank Rate and all other relevant factors.
17	Price structure of Catguts.	1966	Capital employed	16%	Interest on loans legal liability in respect of bonus, corpn. taxes, dividend.	

APPENDIX—XIV

(*vide* paragraph 70)

Statement showing important cases where Tariff Commission's recommendations on prices were partly or wholly rejected by the Government of India and the reasons for the same

Name of Industry	Year of Report	Commission's Recommendations which were not accepted by Government	Government's Decision	Reasons for rejection as given in the Govt. Resolution
1	2	3	4	5
1. Steel Retention Prices (TISCO) . .	1953	(i) A return of 10% on the total gross block may be allowed for 1953—55 in the retention prices instead of 8% allowed; for the specific purpose of modernisation and expansion. (ii) While recommending increases in retention prices for the period April 1952 to March 1953 and April 1953—March 1955, the Commission treated the collieries owned and operated by the Co. as part of the Steel works and allowed in the prices actual cost of raising coal, depreciation and return on collieries. In previous inquiries collieries were treated as different concerns.	Government did not agree to the higher rate of return. Govt. fixed retention prices for the period April 1953—March 1955 at Rs. 47 more per ton, instead of Rs. 66—98 recommended by the Commission.	Govt. had agreed already to grant special loans to the Company on favourable terms, to enable the Company to implement its modernisation and expansion programmes. Govt. did not consider such a major change in the approach justifiable without further and more comprehensive inquiry into the subject.
2. Steel Retention Prices (TISCO) . .	1954	(i) As no significant change in production of the Company was expected till the end of 1956, the Commission recommended retention prices to be fixed for the four year period, 1953—56.	(i) Prices were fixed for the period 1-1-53 to 31-3-1955.	(i) The principles of price fixation followed till then, in particular the method of relating depreciadon and return on investment to gross block required revision and that the revised principles were to be applied from 1-4-55.

		(ii) The Commission recommended an average increase of about Rs. 66/- per ton over the retention prices fixed for 1952. The increase included an element of return on the gross block of collieries operated by the Company.	(ii) Govt. allowed an increase of Rs. 59/- per ton on an average over the retention price of 1952.	(ii) Govt. did not agree to include return on the gross block of collieries as part of the retention prices of steel, as the whole question was to be examined by the Commission at a later stage.
3. Steel Retention Prices	1958	The average retention price payable to TISCO and IISCO for the period 1955-56 to 1959-60 on all categories of steel taken together should be increased by Rs. 46/- per ton.	Govt. allowed an increase of Rs. 14 per ton in the average retention price to the two Companies upto 16-5-1957 and Rs. 45·74 per ton after 16-5-57.	Govt. did not consider it appropriate to allow the increase in excise duty in retention prices prior to the date of imposition of the duty namely, 16-5-57. The Govt. therefore, decided that the excise duty element should not be spread over the five year period 1-4-1955 to 31-3-1966.
4. Pig Iron	1958	Commission recommended a price increase of Rs. 10.64 per ton on a weighted average basis.	Government do not consider that the increases should be given on a weighted average basis and permitted actual increases for various periods ranging from Rs. 0·16 per ton from 1-8-54 to 1-4-55 to Rs. 17·23 per ton from 8-7-57 onwards.	Government consider that the increase in costs should be allowed on the basis of actual increases.
		Commission recommended that TISCO are eligible to a price increase on a weighted average basis of Rs. 9·54 per ton for the period 1955-56 to 1959-60.	In the case of TISCO Government propose to accept the recommendation on the basis of actual increases instead of on a weighted average basis. These increases were as under: 1955-56 Rs. 0·31 per ton. 1956-57 Rs. 7·95 per ton. 1957-58 Rs. 12·02 per ton. 1958-59 and 1959-60 Rs. 12·92 per ton.	

Name of the Industry	Year of Report	Commission's Recommendations which were not accepted by Government	Government's Decision	Reasons for rejection as given in the Government Resolution
1	2	3	4	5
5 Tinplate . . .	1958	The commission recommended that (i) the fair average retention prices for tinplates produced by the Tinplate Co. (exclusive of packing charges) should be as follows : Year (Rs. per ton) 1957 902.48 1958 1042.67 1959 and 1960 1029.68	(1) The Govt. decided that it would not be appropriate to allow the increases.	(1) In view of the fact that there had been increase in the consumption of raw materials, power, coal etc., amounting to Rs. 16.46 per ton which were not directly attributable to increases in the manufacturing costs, Govt. considered that it would not be appropriate to allow such increases.
		(2) that the retention prices of tinplate for 1958 and 1959-60 should also be adjusted from time to time to the extent that manufacturing costs for those years had altered as a result of changes in railway freight, changes in the statutory prices of consumable stores and changes in labour costs caused by labour legislation or adjudication or conciliation awards.	(2) Govt. did not accept this for reasons given in the next column.	(2) Govt. of India observed that the Commission had followed the principle of 'escalation' which had been allowed in the case of Main Producers of Steel *viz.* TISCO and IISCO Govt. considered that it would not be desirable to extend the same principle to Secondary Producers including the Tinplate Co. of India,

6. Calcium Carbide .	1961	Commission recommended fixation of prices as follows : *Size* — *Price per 50 Kg.* 50 *Kg.* packing Rs. / 100 *Kg.* packing Rs. 4/80 mm — 45.50 / 44.75 25/80 mm and 50/80 mm — 47.50 / 46.75 15/25 mm — 40.50 / 39.75 4/15mm and 7/15 mm. — 37.50 / 36.75	*Size* — *Price per 50 Kg.* 50 *Kg.* packing Rs. / 100 *Kg.* packing Rs. 4/80 mm — 44.00 / 43.25 25/80 mm and 50/80 mm — 46.00 / 45.25 15/25 mm — 39.00 / 38.25 4/15mm and 7/15 mm. — 36.00 / 35.25	After careful consideration the Govt. found that the increases in the price proposed by the Commission was due to the increased rates of consumption of raw materials and the costs of raw materials used. The Government felt that there was no justification for a higher rate of raw material consumption than that estimated by the Commission in 1958. Taking these factors into account the Government fixed ex-works selling price of calcium Carbide as shown in the Govt. decision column.
7. Cement . . .	1961	The Commission recommended that the final ex-works prices of naked cement should be fixed as follows :— *Unit* — *Rs. per tonne* 1. Dalmia Bharat . 67·50 2. Andhra Cement Co. 73·00 3. Orissa Cements . 73·00 4. Rohtas Industries . 73·00 5. Mysore Iron & Steel Works . . 73·50 6. A.C.C. . . 73·50 7. K.C. Pvt. Ltd. (Ramkrishna Cement) 73·50 8. Dalmia Dadri 75·00 9. Bagalkot Cement . 75·00 10. U.P. Government Factory . . 75·00 11. Jaipur Udyog . 75·00	The Govt. fixed the uniform ex-works price of naked cement at Rs. 69·50 per tonne for the industry. In the case of the following units an extra price as shown below were allowed : India Cements, Digvijay, Satna, Kalyanpur, Sone Valley — Rs. 3 per tonne Panyam, Saurashtra, Madras — Rs. 5·50 per tonne	Government was of the considered view that the then existing system of differential prices based on individual costs, were not conducive to efficiency and greater production and that there should be a uniform price for the industry so that greater pressure could be exercised on units having higher cost to find economic and there was a measure of reward for those units able to achieve economies. Having regard to the interests of the consumers on the one hand and the need on the other to have adequate incentives for expansion of production and effecting economies with a view to keep down costs Govt. did

Name of the Industry	Year of Report	Commission's Recommendations which rejected by Government	Government Decision	Reasons for rejection as given in the Government Resolution
1	2	3	4	5
		12. Ashoka Cement . 75·00 13. India Cements . 76·50 14. Satna Cement . 77·50 15. Kalyanpur Lime & Cement Works . 79·00 16. Sone Valley Portland 79·00 17. Shree Digvijay Cement . . 79·00 18. Panyam Cements 79·50 19. Travancore Cements 103·00 20. Saurashtra Cements & Chemical Industries Ltd. . . } 77·50 21. Madras Cements Ltd. . . .	Travancore Cements } Rs. 25·50 per tonne	not feel necessary the increases in full, recommended by the Commission. Accordingly the Govt. fixed prices as given in Govt.'s decision column.
Revision of Price-Linking Formula for Sharing Sugar Price between sugar factories and Cane Growers.—(*contd.*)	1961	The Commission recommended : (i) A new formula should be applied on an all-India basis for the seasons 1958-59 to 1961-62 for computing the deferred price payable to the growers. In this formula, the share of the cultivator has been fixed at 45 per cent of the additional sugar price and that of the miller at 30 per cent, the balance 25 per cent being represented by taxes on the share of the miller.	Government decided to retain the existing formula after making suitable changes, for determining the additional price that might be found due to the growers for the years 1958-59 to 1961-62.	Government after careful examination considered that it would be more appropriate, equitable and reasonable to apply the existing formula after suitable adaptations and amendments in order to incorporate various suggestions of the Commission, than to accept the new formula for retrospective application.

Revision of Price-Linking Formula for Sharing Sugar price between sugar factories and Cane Growers.	(ii) The incentives given by the Government for increasing protection of sugar, should be shared in the same ratio as suggested for sharing the additional realizations over and above the fair ex-factory price of sugar, but the amount calculated as growers' share out of the incentives should be treated separately from the amount calculated as growers' share out of additional realizations. That is to say, the deficit under one should not be allowed to be set off against the growers, share under the other.	Government, having regard to the background of the scheme of incentives and to the effect generally to the recommendation of the Commission, decided that out of the incentives allowed by Government for increasing production of sugar by way of 50 per cent rebate in basic excise duty, 25 per cent should be left with the industry to meet taxes and other out goings and only 75 per cent of the amount so earned should be taken into account for determining the additional cane price payable to the growers, and rebates of cane cess or cane purchase tax and other rebates should be taken into account in full for the purpose of such determination.	
	(iii) An *ad hoc* provision of 40 nP. for 10 per cent recovery and a duration of 150 days as rehabilitation allowance should be provided when applying the formula in the Northern Region and 20nP. for Madhya Pradesh and Rajasthan. For other regions, having regard to the State of the industry there, no provision for rehabilitation allowance is necessary.	Government decided that suitable allowance should be authorized only in the case of those factories which have, in fact, set apart funds or utilized some amount on rehabilitation during the years 1958-59 to 1961-62.	Government considered that the acceptance of the Commission's recommendation would lead to discrimination and also the allowance for rehabilitation would have no relation to actual allocations made for the purpose.

Name of the Industry	Year of Report	Commission's Recommendations which were rejected by Government.	Government's Decision	Reasons for Rejection as given in Government Resolution
1	2	3	4	5
7. Soda Ash	1961	(i) Commission recommended a ceiling price ex-works of Rs. 20 per 50 kg. for light soda ash and Rs. 21·50 per 50 kg. of heavy soda ash, exclusive of excise duty.	Govt. felt that it would be best to fix the ceiling price ex-works for light soda ash at Rs. 19 per 50 kg. It also decided that an increase at Rs. 20 per tonne ex-works or ex-port for heavy soda ash over the price of light soda ash would be sufficient.	In fixing this price Government were satisfied that it would provide a reasonable return to the capital employed in the high cost unit and at the same time impress on such units the desirability of improving their efficiency and reducing the conversion charges.
		(ii) Commission recommended that there was no need to fix prices ex-port town.	The ex-port prices were fixed as the ex-works price plus Rs. 15 per tonne for West Coast Ports and Rs. 25 per tonne for East Coast Ports, as freight.	The Government's decision regarding the fixation of ex-port prices was that it would be in the interests of the consumers located at a distance from the producers to fix such prices.
8. Woollen Textiles.	1962	Commission recommended certain formulae for the fixation of the ex-mill and retail prices of different types of woollen manufactures.		Govt. decided in view of the fact that conditions obtaining in the woollen industry were not then normal, as a result of the gearing of the industry for production of Defence requirements and its effects on production of civilian goods, and that the position should be reviewed when normal conditions in the industry were restored.

11.	Steel Retention Price	1962	The average fair retention price of saleable steel (inclusive of the special element for payment of interest on and repayment of special advances) for 1960—62 should be Rs. 550 per tonne. This recommendation was based on an assessment of a fair or standard block of Rs. 1300 per tonne of saleable steel.	Govt. decided to base the retention prices on a block of Rs. 1176 per tonne. The average retention price of steel was fixed at a uniform rate of Rs. 522·50.	This figure was arrived at on the basis that the plants should have worked at 100% of capacity instead of 90% optimum mentioned by the Commission.
			(ii) A return at 8% on the representative block of Rs. 1300 per tonne of saleable steel and interest on an estimated working capital at six months Works cost equivalent at 5% should be allowed.	(ii) The Government made a provision on the basis of four months works cost.	(ii) The working capital provision allowed at six months of the works cost equivalent was high.
			(iii) Based on an equated payment spread over a period of 20 years the special element allowed in the retention price for payment of interest on repayment of the special advances should be Rs. 8 per tonne of saleable steel, this element being included in the price of steel.	(iii) Govt. did not consider it necessary to provide an element in the retention price for the payment of interest on and the repayment of the special advances.	(iii) The agreements with the cos. provided for an alternative method of repayment of a part of the special advances with interest.
12.	Sheet Glass	1962	The Commission recommended that the fair ex-works selling prices given below should be notified as ceiling prices :		

Name of Industry	Year of Report	Commission's Recommendations which were rejected by Government	Governments' decision	Reasons for rejection as given in Govt. Resolution
1	2	3	4	5
		A—Window Class (ordinary quality) (Rs. 10 per sq. mts.) 2mm 3mm 4mm (16/18 ozs) (24 ozs) (32 ozs) *Cut sizes* to 100 u/cm. (40 u/I) 37·25 50·25 78·25 to 150 u/cm. (60 u/I) 39·00 55·25 86·00 to 200 u/cm (80 u/I) 44·75 65·25 101·75 to 250 u/cm (100 u/I) 52·25 75·50 117·50	(Rs. 10 sq. m Thickness — fair ex-works price 2 m — 41 3 mm — 58 4 mm — 83 4·8 mm — 107 5·5 mm — 119 As the production pattern of various sheet glass units differed it was left to the manufacturers to work out the price of the various cut sizes produced by them in each thickness group within the average *ex-works* selling prices worked out for that group and obtain Governments' approval for the same	In view of the higher production and utilisation of capacity envisaged in the industry the Govt. decided that the fair ex-works selling prices of ordinary sheet glass be fixed as given in column (5) for the different thickness groups.

to 300 u/cm.
(120u/D) 57·75 88·00 133·00

Manufacturing Sizes:
Lengths 152/168cms.

Width 60/95 46·50 67·75 105·75
cms.
Lengths 152/168

Width 100cms
and above 56·00 85·50 125·2

B. Thick Sheet Glass (ordinary quality)

Sizes	(Rs. per sq. mt.) 4·8mm (3/16")	5·5mm (7/32")
Cut Sizes:		
To 0·18 sq. Mt. (2 sq. ft.)	9·68	11·18
To 0·27 sq. Mt. (3 sq. ft.)	13·05	14·53
To 0·45 sq. Mt. (5 sq. f.)	15·98	17·88
To 0·66 sq. Mt. (7 sq. ft.)	16·93	19·00
To 0·93 sq. Mt. (10 sq. ft.)	18·38	21 23
To 1·41 sq. Mt. (15 sq. ft.)	19·35	22·35
To 2·31 sq. Mt. (25 sq. ft.)	21·28	24·58

13. Matches	1963	Commission recommended : (i) That steps should be taken by State Governments to levy uniform sales tax on matches and the rate of sales tax in all States should be restricted to a ceiling of 4 per cent on the net value of matches.	Government decided that it was not necessary to fix any ceiling ex-factory or wholesale prices of matches.	After careful consideration the Government concluded that there were certain practical difficulties in ensuring uniform sales tax and other local taxes on matches throughout the country and that a

Name of Industry	Year of Report	Commission's Recommendations which were rejected by Government	Government's decision	Reasons for rejection as given in Govt. Resolution
1	2	3	4	5
				rigid price control on the ex-factory and wholesale prices of matches could not be maintained over a reasonably long period.
		(ii) That for the interim period the Western India Match Co. may be allowed to charge different rates in different States subject to an average of Rs. 7·62 per gross and maximum of Rs. 7·68.		
		(iii) that the following rate scales of excise may be laid down for the four classes of units : For 'A' Class Rs. 4·60 per gross boxes For 'B' Class Rs. 4·40 per gross boxes For 'C' Class Rs. 4·10 per gross boxes For 'D' Class Rs. 3·75 per gross boxes		
14. Electric Lamps and Fluorescent Tubes.	1963	The Commission determined the fair prices of (i) General Lighting Service Lamps and Train Lamps (ii) Fluorescent Tubes (iii) High Pressure Mercury Vapour Lamps and (iv) Miniature Lamps.	Government did not control the prices statutorily. It hoped that the industry and the trade would pay due regard to the recommendations of the Tariff Commission about the fair prices and would voluntarily adopt in practice a policy of not exceeding the price limits suggested by them.	

APPENDIX XV

(*Vide* paragraph 73)

Statement showing cases where the Tariff Commission took 10 *months and more to submit its reports to the Government.*

Inquiries	Year of reference to the Commission	Time taken by the Commission to submit its report
1	2	3
		(Months)
A. *Price Inquiries*		
*1. Bars and Rods and Electric Furnace Billets	1951	12
2. Rubber Tyres and Tubes	1952	30
3. Steel (Bhadravati)	1953	27
4. Tin Plate	1954	12
5. Steel (IISCO)	1954	16
6. Pig Iron	1954	16
7. Automobiles	1955	14
8. Locomotives and Boilers	1955	11
9. Bars, Rods and Electric Furnace Billets	1956	18
10. Cement	1957	13
11. Sugar	1958	12
12. Raw Rubber	1959	13
13. Cement	1960	10
14. Ferro-Silicon	1960	12
15. Cotton Cloth and Yarn	1960	23
16. Fire Fighting Equipment	1960	16
17. Woollen Yarn, Fabrics and Manufactures	1960	20
18. Steel	1961	13

(*Indicates those cases which were taken over from the Tariff Board).

1	2	3
		(Months)
A.—*Price Inquiries*—Contd.		
19. Pig Iron	1961	10
20. Electric Lamps and Flourescent Tubes	1961	22
21. Preserved Fruits and Vegetables	1962	11
22. Safety Matches	1963	12
23. Alcohol	1964	12
24. Antimony (price and protection)	1965	11
B. *Protection Inquiries*		
*1. Woollen Hosiery	1950	20
*2. Ball Bearings	1951	11
*3. Power and Distribution Transformers	1950	22
*4. Flax Goods	1951	16
5. Caustic Soda and Bleaching Powder	1952	25
6. Dyestuffs	1952	32
7. Calcium Carbide	1955	10
C.—*Other Inquiries*		
Levy of interest on special advances to TISCO & IISCO	1958	12

(*Indicates those cases which were taken over from the Tariff Board).

APPENDIX XVI

(*Vide* paragraph 80)

Statement showing cases where the Government of India took more than three months to announce their decisions on the Commission's reports.

Report	Year of submission of the Commision's Report to the Government	Time taken by the Government to announce their Resolutions on the Commission's Report
1	2	3
		(Months)
A. *Price Inquiries*		
1. Bars and rods and electric furnace billets	1952	4
2. Cement	1953	7
3. Tinplate	1953	10
4. Tinplate	1954	4
5. Rubber tyres and tubes	1955	4
6. Pig iron (IISCO)	1956	5
7. Steel (Bhadravati)	1956	4
8. Steel	1957	5
9. Bars and rods and electric furnace billets	1958	27
10. Caustic soda, bleaching powder etc.	1958	12
11. Cement	1958	4
12. Pig Iron (Bhadravati)	1958	4
13. Pig Iron (IISCO)	1958	13
14. Steel (TISCO and IISCO)	1958	5
15. Ammonium sulphate	1959	25

1	2	3
		(Months)
A. *Price Inquiries*—Contd.		
16. Paper and paper boards	1959	5
17. Sugar	1959	7
18. Zinc	1959	10
19. Soda ash	1961	4
20. Fire fighting equipment	1962	17
21. Pig Iron	1962	5
22. Sheet glass	1962	4
23. Steel	1962	5
24. Woollen yarn, fabrics and manufactures .	1962	12
25. Cotton yarn and cloth	1962 . .	22
26. Electric lamps and flourescent tubes . .	1963	21
27. Preserved fruits and vegetables	1963	19
28. Safety matches	1963	23
29. Alcohol	1965	9
30. Antimony (Price)	1966	Not announced.
31. Beta oxy naphtheic acid	1966	Not announced.
32. Catguts	1966	4
B. *Protected Inquiries*		
1. Ball bearings	1952	5
2. Power and distribution transformers . .	1952	7
3. Titanium dioxide	1953	5
4. Caustic soda and bleaching powder . . .	1954	5
5. Dyestuffs	1954	4
6. Engineer's steel files	1955	5
7. Isoniazid	1955	16
8. Calcium carbide	1956	4
9. Piston assembly	1966	6
C. *Other Inquiries*		
1. Treatment of colliery block for determining the retention prices of steel	1954	15
2. Levy of interest on special advances to TISCO & IISCO	1959	6
3. Revision of price linking formula for sharing sugar price	1961	14

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